Everywhere, every day.

AUSTRALIA POST ANNUAL REPORT 2006/07

AUSTRALIA POST

News and highlights

Part of every day

We launched our new brand advertising campaign – our first in eight years – to show our customers the broad range of products and services that make up our business today. Seven ads were produced: one for each day of the week, and each telling about the part Australia Post plays in that day. Around 40 Australia Post staff or family members appeared in the ads. See page 45.

Olympic sponsorship

We announced our sponsorship of the Australian Olympic Games Team for the Beijing 2008 Olympics (our fourth Olympic sponsorship) and welcomed champion swimmer Jessicah Schipper as our Olympic Ambassador. See page 38.

We delivered 96.3 per cent of domestic letters on time or early. See page 15.

New look for retail staff

A new corporate clothing collection was created for Australia Post retail staff by acclaimed designer Carla Zampatti (a past recipient of the Australian Legends Award). See page 20.

Australia Post Boomers

We confirmed a three-year sponsorship with the Australian men's basketball team, now known as the "Australia Post Boomers". See page 38.

Post Logistics excellence

The Post Logistics team at Wetherill Park in Sydney received the first "Innovative idea" award in the Australia Post National Excellence Awards for their creative business solution for major client Speedo. See pages 24 and 34.

We earned a net profit of $400.7 million for the year (an increase of $32.8 million). See page 8.

We joined Paper Round to encourage recycling and responsible use of paper. See page 41.

Australian Legends reunion

Ten years after honouring Don Bradman with the first Australian Legends Award, we celebrated with a reunion for award recipients at Government House, Sydney. See page 38.

Year of the Surf Lifesaver

We marked 2007, officially Year of the Surf Lifesaver, with a commemorative stamp issue, including our first motionprint stamp. See page 21 and inside back cover.

We handled 5.51 billion items of mail – 1.8 per cent more than last year. See page 132.

We paid $474.9 million in rates and taxes and paid the government a dividend of $279.4 million. See page 45.

Contents

Taking opera everywhere

Australia Post, together with our partner Opera Australia, received the AbaF Qantaslink Regional Award. The award recognises our commitment to taking opera to thousands of people in regional Australia. See page 37.

We achieved a record low of 7.4 lost-time injuries per million work hours (7.6 last year). See page 33.

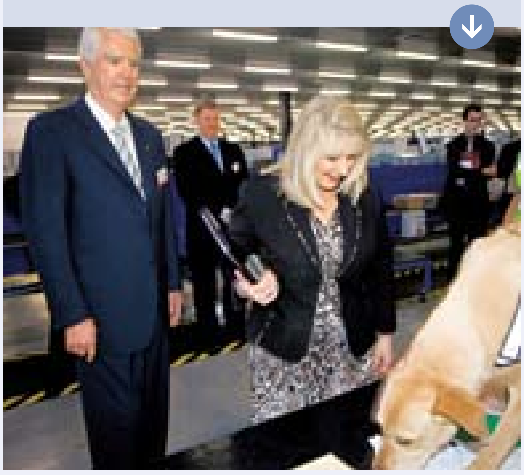
We served around a million customers in our retail outlets every business day. See page 20.

Reducing emissions every day

We took delivery of Australia's first two diesel–electric hybrid trucks. See pages 39 and 42.

Our new gateways

Communications Minister Senator Helen Coonan officially opened our new Melbourne and Sydney gateway facilities in March. All incoming international mail is screened at the facilities by "sniffer" dogs, X-ray or physical inspection. The Federal Government contributed funding to upgrade and build the facilities so as to strengthen Australia's border security. See page 27.



Australia Post: everywhere, every day

The long list on the cover of this report is made up of just some of the names of our 4,449 postal outlets across the nation.

In that list you'll find the most distant points of Australia – Byron Bay on the east coast, Boigu Island in the Torres Strait, Cocos (Keeling) Island in the Indian Ocean and Mawson in the Australian Antarctic Territory. Australia Post is there – and everywhere in between.

Our retail staff in these postal outlets, our posties on the streets and our contractors in delivery vans are the "face" of Australia Post. Just like our red post boxes, they are a familiar sight to Australians everywhere.

Many more of our people are working diligently behind the scenes – processing the mail, maintaining our machinery, developing new software and products, and collaborating closely with our business customers to help them succeed.

But our business now extends far beyond conventional mail delivery. Think of your favourite CD or DVD, items you ordered online, the wine you drink with dinner – chances are, Australia Post had a hand in bringing them all to you. Over recent years, we have been expanding our traditional areas of expertise – building on what we know and what we do best.

Our history

We are a long-established business – almost 200 years old, in fact. Our first representative was the former convict Isaac Nichols, who was appointed postmaster to the colony of New South Wales in 1809.

In those early days, each of the colonies had its own separate postal service but by 1849 they had all agreed to a set of standardised inter-colony postal rates. Then, with Federation in 1901, the colonial mail systems merged and became known as the Postmaster General's Department (PMG), which was in charge of telegraph, telephone and mail operations. In 1975, the PMG became the Australian Postal Commission (trading as Australia Post) and the Australian Telecommunications Commission (trading then as Telecom Australia, now as Telstra).

Under the *Australian Postal Corporation Act 1989*, the Australian Postal Commission became the Australian Postal Corporation – a government business enterprise, with the Commonwealth Government as its sole shareholder.

Since becoming a government business enterprise, Australia Post has been required to be a self-funding business. We reinvest the profits that we earn from our assets and resources in our business or return them as dividends to our shareholder, the Commonwealth Government.

Our future

We value our unique heritage and solid foundation … but our eyes are firmly on the future. Since the early 1990s, we have carried out major change programs that have transformed us into one of the most progressive and efficient postal services in the world today. We are taking the lead in a rapidly changing communications environment and we are investing in the people, innovations, alliances and technology that will take us into the future.

Through all of this, our fundamental business strategy remains relevant: to preserve and extend our three core business areas – letters, parcels & logistics, and retail & agency services.

The following supporting strategies will allow us to capitalise on our existing strengths in core areas, while establishing leadership in substitute markets and in activities with the potential for substantial growth.

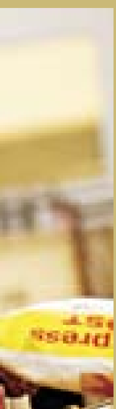
- Maintaining the relevance of paper-based communications and developing targeted opportunities in the digital communications market.
- Maximising returns from existing retail products and agency services while repositioning our business to deliver future sustainable growth.
- Being an "essential partner" in domestic distribution and logistics and targeting related international opportunities.

Our values

We conduct our business with integrity, honesty and fairness and in compliance with all relevant laws, regulations, codes and corporate standards. Our employees and contractors personally commit to the highest ethical standards of behaviour in their dealings with customers, with the corporation and with each other.

We are also committed to adopting and promoting principles of sustainable development. This means reporting openly on our sustainability performance, in addition to integrating social, environmental and economic considerations into our decision-making processes and seeking continuous improvement in everything we do.

Australia Post is here for the long haul, actively contributing to Australian communities … everywhere, every day.



REPORT OF OPERATIONS

Our capabilities

Every day, and wherever we operate, we are constantly working to build our capabilities and expand our product and service offerings. This is an outline of the core competencies that we use to serve our customers all over Australia – from consumers and small businesses to major corporations.

Letters

- We collect, process and distribute letters for the entire Australian community, and between Australia and overseas.
- We offer businesses and community organisations cost savings on bulk mail – including invoices and statements, promotional mail and magazines.
- We provide research, advice, consumer list rental, and profiling and segmentation services to help businesses target their best prospects and customers – and achieve solid returns on their marketing investments.
- We help businesses make the most of their databases (and reduce errors and costs) through our address verification and updating services.
- We make mail easy to use by preparing, printing and lodging documents.
- We create software that allows our customers to create and lodge mail from their desktops.
- We provide "smart" mailroom services for businesses – including security screening, sorting, imaging, data capture and electronic transmission of inbound mail.
- We help businesses manage their customers' replies to mailings more efficiently – receiving and sorting them, using technology to automatically capture relevant data, and organising transfer of the information.
- We provide a range of associated services, including ticket production and Internet-based archiving and retrieval.

Retail & agency services

We provide the following products and services through our retail network.

- Mail services and packaging products, including Postpak products and a range of gift boxes.
- Third-party agency services that connect consumers, businesses and government bodies, including:
  - proof of identity services
  - a range of services for travellers, including passport applications, passport photos, travellers' cheques and foreign currency
  - money orders and money transfers
  - banking services, which provide access to more than 75 financial institutions
  - bill payment services: in person, by phone and online.
- Post office boxes and locked bags.
- Collectable stamps, coins and associated products.
- A variety of complementary products, including stationery, office supplies, communications products, gifts and cards.

Parcels & logistics

- We collect, process and deliver parcels all over Australia, and between Australia and overseas.
- We offer quality, worldwide delivery, as well as sophisticated parcels & logistics services between Australia and the Asia–Pacific region.
- We have complete end-to-end supply chain capability, from manufacturer (domestic or international) to consumer.
- We provide a choice of domestic and international distribution options – from economical road deliveries to express and time-critical services. Track and trace, proof of delivery and insurance are available with many of these services.
- We offer competitive delivery for single parcels and multi-parcel consignments.
- We provide domestic and international integrated logistics services, including order processing, warehousing, fulfilment, distribution, returns management, freight forwarding and customs clearance.

Our business partners

We collaborate with individuals, small businesses, our joint-venture partners and subsidiaries to provide our comprehensive range of products and services.

Contractors, franchisees and licensees

- The people who service more than 5,000 mail, courier and parcel contracts and almost 3,000 franchised and licensed post offices across the nation are a crucial part of the Australia Post team.

Joint ventures

- Sai Cheng Logistics International – a joint venture with China Post to provide supply chain management and logistics services between China, Australia and the rest of the world.
- Australian air Express – a joint venture with Qantas to provide time-critical air and linehaul delivery.
- Star Track Express – a joint venture with Qantas to provide time-critical business-to-business transport.
- iPrint – a joint venture with Wellcom to provide internal print management, including stamps, retail catalogues and publications.

Subsidiary companies

- Decipha – mailroom and document workflow services.
- PrintSoft – software solutions for producing letters and documents.
- Post Logistics Australasia – a third-party logistics provider specialising in the appliance and home entertainment sectors.
- Post Logistics Hong Kong – freight forwarding services.

REPORT OF OPERATIONS

Chairman's report

In my first year as Chairman I am delighted to report another year of significant achievements for Australia Post.

While postal administrations the world over are becoming involved in varied and diverse businesses just to remain afloat, our ongoing growth stems from a consistent focus on our core businesses of letters, retail & agency services and parcels & logistics. Our strategy has been to build on our strengths – on what we know and do best! With our sound business platform, we are able to challenge our assumptions about how things are done and compare them with how things ought to be done. This simple approach was behind the transformation of our retail network and we continue to apply that strategy to every area of our business.

Letters

Independent research confirms that mail remains a highly effective way for businesses to communicate with their customers. Our focus is to ensure that our customers understand the true potential of paper-based communication, and to provide them with new and effective products and services that deliver real results. During the year we tested or introduced an average of one new initiative every month, including TELeGRAM, which combines the convenience of electronic communication with the appeal of a traditional letter.

Reliable, cost-effective service is the other source of our success in the letters business. More than 96 per cent of domestic Australian mail reaches customers on time or early, despite the huge distances and logistics involved. We have once again demonstrated that it is possible to meet stringent community standards while at the same time delivering solid profits to our stakeholders.

Retail & agency services

Our retail network fulfils many needs, including mail lodgement, packaging and postage products, and agency services. Our ongoing challenge is to refine our product and service offerings to ensure that they reflect customer demand. This year we have made solid progress on that front by further grouping our products and services together into themes that are easy for our customers to use and understand.

During the year we also expanded the range of proof of identity services we provide on behalf of other organisations. One of these new services – the Working with Children Check – is described in detail in this report. At a time when community concerns about fraud and identity theft are increasing, the importance of these services is paramount and – as Australia's most trusted commercial organisation – we are perfectly placed to provide them.

Parcels & logistics

The future of our business is closely tied to the success of our parcels & logistics portfolio, and this year we continued to invest in technology that will enable us to provide a better parcel delivery service to consumers and business customers alike.

Technology – particularly monitoring systems that are fully integrated with those of our international partners – is also helping us to compete in the global market. Our Express Courier International service is doing extremely well, as is our new Express Post International service. The success of these products demonstrates that we have tapped into a niche market for competitively priced, fast and reliable international delivery.

One measure of success is whether others want to join you on your journey. Over the past year we have seen our international KPG Alliance grow as Royal Mail (UK) and Correos (Spain) joined our ranks. Three other postal administrations have expressed strong interest in joining the alliance in the future. Australia Post is a winner and other postal administrations now want to achieve the same level of success.

Thank you

Credit for this year's result is very much due to the contribution of Australia Post management, staff, licensees, franchisees and contractors. I would like to thank them all for the important part they play in the life of our business. My thanks also go to our loyal customers for their continuing support. And finally, I must thank my fellow board members for all they have done and for their encouragement in my first year as Chairman of Australia Post.

David A Mortimer AO
Chairman

REPORT OF OPERATIONS

Managing Director's report

Australia Post has once again delivered first-class service to the Australian community while achieving impressive financial results.

Financial results and core business

We set some ambitious targets for the 2006/07 financial year and I am pleased to be able to report that we were able to meet or surpass them all. The corporation recorded a before-tax profit of $561.7 million (compared with $515.7 million last year) on total revenue of $4.7 billion ($4.5 billion last year). This represents a return on revenue of 11.9 per cent.

The parcels & logistics portfolio was again our star performer in 2006/07, with a before-tax profit of $255.9 million ($220.5 million in 2005/06). Domestic parcel volumes have increased due largely to the boom in Internet trading, which is perfectly matched by our reliable and cost-effective service. Internationally, our logistics business is going from strength to strength as we provide end-to-end supply chain services for our customers doing business in the Asia–Pacific region.

Last year I reported that our retail & agency services business had taken a new direction in rationalising its product range and redefining the retail offer to our customers. That step took courage, as we knew that this would cause an initial drop in revenue. However, this year – as expected – we have seen a good recovery, with increases in both revenue and profit of $10.4 million and $0.8 million respectively. The proof of identity services we are providing on behalf of government departments and other large organisations have been our strongest area of growth this year and we continue to actively pursue further opportunities in this area.

Our letters portfolio achieved a 1.9 per cent increase in domestic letter volumes during the 2006/07 financial year. This translates to 93.1 million more items of mail – and our strongest year of volume growth since the 1990s. This increase is the direct result of the work that our people are doing to promote the effectiveness of paper-based communications and keep our letter volumes growing. However, the cost of delivering to more than 10 million Australian addresses has long been outstripping revenue growth. Although our costs have increased each year, the basic postage rate has been frozen at 50 cents since 2003. Almost 50 per cent of our letter volume is made up of pre-sort bulk mail and we have not increased our bulk mail rate since 1992. This year saw an 8.4 per cent drop in profit in our letters business, despite a revenue increase of $44.2 million (1.7 per cent). Unless we are able to raise our prices in line with costs, next year the profitability of our letters business will be even further affected by internal and external cost pressures such as wages and fuel charges.

People and performance

We were able to achieve these results while meeting or exceeding all of our community service obligations, as well as exceeding our main service performance target by delivering a record 96.3 per cent of domestic letters on time or early – well above the 94 per cent required under our community service obligations. We also achieved a 3.2 per cent increase in productivity this year, bringing our five-year sustained productivity growth to 20.4 per cent (almost three times the national average*).

Importantly, our continued focus on improving our safety record resulted in our lowest ever frequency of 7.4 lost-time injuries per million work hours (compared with 7.6 in 2005/06).

Thank you

I would like to thank our new chairman, David Mortimer, who met the challenge of his first year in the position with skill and enthusiasm. And thanks of course to the Australian community and to our customers for their continuing support and their confidence in Australia Post.

The picture on the cover of this report reminds me of the many instances this year in which our people put in tremendous extra effort to get the mail through in difficult circumstances (including floods, storms, bushfires and snow) everywhere, every day – without exception. Many thanks to our dedicated Australia Post staff, contractors, licensees and franchisees, who all contribute to our business success.

Graeme T John AO
Managing Director

* Source: Access Economics.

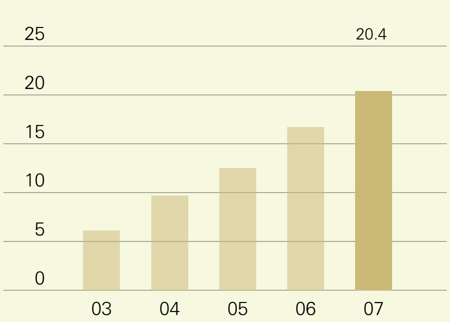
REPORT OF OPERATIONS

Financial results

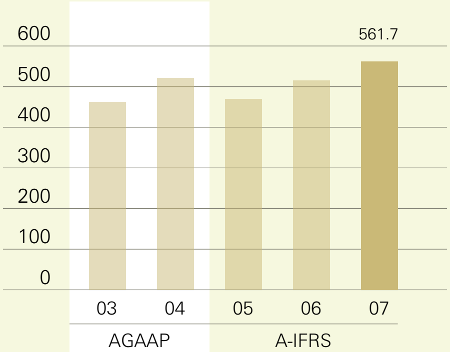
Five-year trends (1)

	AGAAP (1)		A-IFRS (1)		
	2003	2004	2005	2006	2007
Revenue ($ million) (2)	3,971.9	4,161.1	4,325.9	4,530.1	4,711.1
Profit before tax ($ million)	462.0	521.1	469.8	515.6	561.7
Profit after income tax ($ million)	330.8	371.1	341.3	367.9	400.7
Return on revenue (%)	11.6	12.5	10.9	11.4	11.9
Return on average operating assets (%)	17.7	18.7	17.9	18.7	19.6
Debt to debt plus equity (%)	28.7	25.4	21.2	18.3	15.9
Ordinary dividend ($ million) (3)	200.2	220.9	286.2	267.3	296.9
Interest cover	16.7	17.2	15.1	17.2	17.6
Ongoing labour productivity improvement (%)	6.1	9.7	12.5	16.7	20.4
Mail volumes (millions)	5,261.7	5,307.5	5,363.1	5,417.8	5,515.8

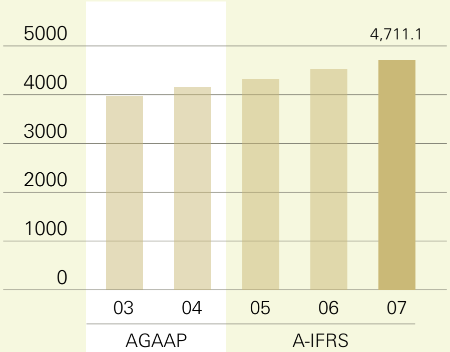
Ongoing labour productivity improvements
(% illustrating five-year cumulative growth)



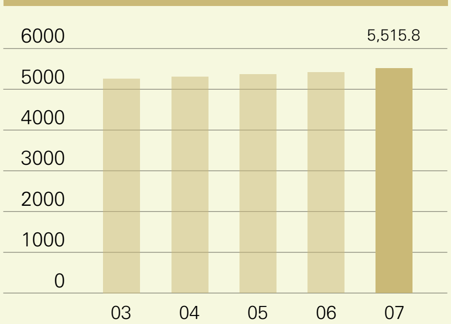
Operating profit before tax
($ million)



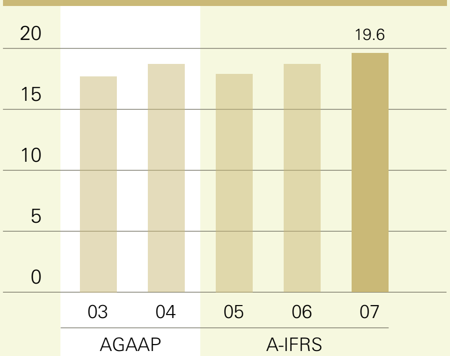
Revenue
($ million)



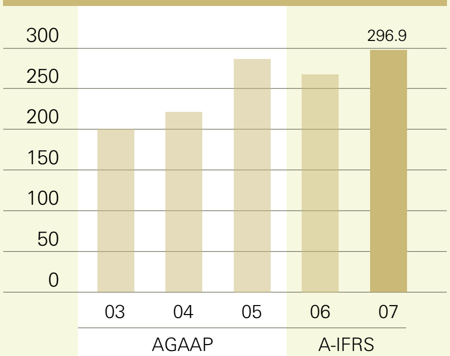
Mail volumes
(million)



Return on average operating assets (%)



Dividends payable
($ million)



(1) Financial information for 2005, 2006 and 2007 is presented under Australian Equivalents to International Financial Reporting Standards (A-IFRS). Financial information for 2003 and 2004 is presented under accounting standards applicable to these periods (AGAAP).
(2) Includes the corporation's share of net profits of jointly controlled entities.
(3) The 2006 and 2007 dividends were determined under A-IFRS. The 2005 dividend was based on accounting standards applicable at the time (AGAAP).

Performance

Australia Post achieved another record result in 2006/07. We surpassed our challenging internal targets and significantly improved on the previous year's results, with profit increasing by almost 9 per cent to $561.7 million.

Our parcels & logistics business continues to provide the most significant improvement, while ongoing cost pressures and four years of price restraint are beginning to adversely affect the performance of our letters business. The letters & associated products and parcels & logistics portfolios were the main pillars supporting the corporation's total revenue growth of $181.0 million. Revenue growth in letters was 1.7 per cent – a sound result, given the rising number of delivery points and the price cap that remains on the basic postage rate.

Extending partnerships with customers and suppliers to meet ongoing demand for global logistics and distribution services has seen impressive revenue growth of 9.4 per cent in parcels & logistics. This was again the result of strong growth from existing customers, combined with increases in targeted parcel and logistics segments.

A modest increase (1.6 per cent) in retail & agency services revenue is the direct result of developing new opportunities in the broader retail services market. Expanding our proof of identity services through image capture and authentication processes has seen us match new market opportunities while increasing profitability.

Return on revenue increased from 11.4 per cent to 11.9 per cent. Ongoing utilisation of the letters and parcels network and the integration of our logistics businesses have increased all of our segment returns. Productivity improvement of 3.2 per cent this year continues the gains of recent years, with the five-year cumulative improvement being well above the national average.

Australia Post's record before-tax profit of $561.7 million ensures that the corporation will deliver another excellent dividend return to the Commonwealth Government. Based on a 75 per cent distribution of the corporation's after-tax profit, dividends payable are expected to total $296.9 million.

Financial reporting standards

While there were no significant amendments to accounting policies and financial reporting in the current year, the corporation continues to monitor amendments to Australian Accounting Standards and revisions to Finance Minister's Orders.

Strategic acquisitions

Australia Post's acquisition of the Beeline and Transmet courier businesses will complement the corporation's Messenger Post Courier fleet and offer expansion opportunities in the domestic market.

Capital expenditure

Capital expenditure for 2006/07 (not including the above acquisition) was $273.6 million, an increase of $43 million on 2005/06. While investment was spread across all portfolios, there was a significant focus on sustaining our core operations through rationalisation of mail and delivery centres, and investment to replace motor vehicles. Investment to replace key information technology systems was also significant, as were strategic property purchases to support future operations in our mails and logistics businesses.

Cash management

Australia Post was able to fund current-year acquisitions and investments through available cash reserves, resulting in minimal impact on the corporation's key balance sheet and cash flow indicators. Debt to debt plus equity again improved during the year (gearing dropped to 15.9), with interest cover increasing slightly to 17.6 times. The corporation's $530 million long-term debt remains at floating interest rates as per the treasury strategy for 2006/07. In March 2007, $230 million of bonds matured and the corporation successfully refinanced these at favourable rates until March 2012.

Outlook

The immediate future remains positive and we do not expect to see significant changes in the trading outlook in our parcels & logistics or retail & agency services portfolios. We do expect to experience declining profitability in the letters portfolio as the price cap on the basic postage rate continues to reduce margins due to the under-recovery of general cost increases. However, there continue to be many opportunities to develop our current strategies further. Positioning cost-effective, paper-based products and services as a vital part of contemporary communication will complement anticipated growth opportunities within the parcels & logistics and retail & agency services portfolios. Australia Post continues to focus on being an essential partner for parcels & logistics, within Australia and in the wider Asia–Pacific region, while our retail products & agency services business is focused on current and emerging customer requirements. We expect that our strategy of building and operating complementary businesses to meet our customers' needs will continue to deliver long-term value for our stakeholders.

REPORT OF OPERATIONS

Key business results

	Letters (pages 12–17)	Retail & agency services (pages 18–23)	Parcels & logistics (pages 24–9)
Revenue			
	▪ Revenue from domestic letters increased by 1.2 per cent. ▪ Revenue from unaddressed letters grew by 12.5 per cent. ▪ Overall revenue growth from letters and associated products was 1.7 per cent.	▪ Retail revenue increased by 1.35 per cent. ▪ Financial services revenue increased by 1.9 per cent.	▪ Revenue from domestic parcels increased by 10.4 per cent. ▪ Express Post revenue increased by 14.2 per cent. ▪ Post Logistics revenue increased by 8 per cent.
Results and highlights			
	▪ Domestic letter volumes increased by 1.9 per cent. ▪ Unaddressed Mail volumes grew by 11.4 per cent. ▪ Promotional letter volumes increased by 8 per cent. ▪ Delivered 96.3 per cent of domestic letters on time or early. ▪ First Direct Solutions, eLetter Solutions and Decipha again achieved record results. ▪ Continued to operate one of the most inexpensive and reliable letters services in the world.	▪ Maintained Australia's largest retail network, with 4,449 postal outlets (including 2,553 in rural and remote areas). ▪ Conducted 1.14 million passport applications for Australians travelling overseas. ▪ Processed 187 million agency-based banking and bill payment transactions. ▪ Served around a million customers every business day in our retail outlets. ▪ Produced Australia's first moving-image stamp.	▪ Domestic parcel volumes increased by 3.7 per cent. ▪ Express Post volumes increased by 9.5 per cent. ▪ International parcel volumes increased by 8.4 per cent. ▪ Express Courier International achieved volume growth of 9.5 per cent. ▪ Introduced Express Post International. ▪ Acquired Beeline and Transmet Couriers, and expanded our national Messenger Post Couriers fleet to 875 vehicles.
Outlook			
	▪ We will continue to develop innovative mail products. ▪ We will stimulate mail volumes by continuing to promote paper-based communication. ▪ Letters profit is expected to diminish as rising costs outstrip revenue growth.	▪ We will continue to work with our suppliers to realise supply chain efficiencies. ▪ We will test a variety of different retail formats and introduce a more diverse range of agency services. ▪ Retail margins and profit are both expected to increase.	▪ We will continue to provide innovative technology and supply chain solutions for our customers. ▪ We will focus on seizing global and domestic opportunities to extend and develop our business. ▪ Continued volume and profit growth is expected in both domestic and international parcels.

REPORT OF OPERATIONS

Performance against targets

	Target	Performance
Financial		
	Revenue base of $4.70 billion.	We earned revenue of $4.71 billion.
	Profit before tax of $552.1 million.	We made a before-tax profit of $561.7 million.
	Return on average operating assets of 15.6 per cent.	We achieved a return on average operating assets of 19.6 per cent.
	Return on equity of 15 per cent.	We achieved return on equity of 16.8 per cent.
Service		
	Deliver 94 per cent of domestic letters on time.	We delivered 96.3 per cent of domestic letters on time.
	Maintain 4,000 postal outlets, including 2,500 in rural and remote areas.	We maintained 4,449 postal outlets, with 2,553 of these in rural and remote areas.
	Maintain 10,000 street posting boxes.	We maintained 15,606 street posting boxes.
People		
	Achieve attendance rates of 94 per cent.	We achieved attendance rates of 94.6 per cent.
	Reduce our lost-time injury frequency rate to 8.5.	We achieved 7.4 lost-time injuries per million work hours.

Achieving bottom-line results through effective communication

Market research consultancy Roberts Research Group is using the results of research by marketing gurus professors Peter Danaher and John Rossiter (see page 13) to help its clients develop strategic communications plans.

The fundamental message of the research is that consumers like receiving information on paper – and that letters can deliver better returns for business.

"Electronic communication channels have created exciting opportunities for marketers but they've also created a lot of confusion about what really works," says Roberts Research Director Ken Roberts (pictured).

"We shared the research results with one of our major superannuation clients when they were running a campaign encouraging their members to opt out of receiving paper-based communications. They asked us to do further qualitative and quantitative research with their members. It overwhelmingly showed that they preferred letters to email – and the company halted its opt-out campaign."

Highlights

- At a time when mail volumes around the world are generally in decline, we experienced our strongest growth year since the 1990s.
- We continued to operate one of the most affordable and reliable letter services in the world.
- We delivered 96.3 per cent of domestic letters on time or early.
- We delivered 96.9 per cent of bulk business mail on time or early.
- Direct mail volumes increased by 8 per cent and revenue increased by 8 per cent.
- We launched a campaign to promote the effectiveness of paper-based communications.

CORE BUSINESS

Letters

In 2006/07, we continued to promote mail as an effective and relevant form of communication. And we backed that up with a raft of new and innovative products. As a result, we achieved our fourth consecutive year of growth in mail volumes – our strongest growth year since the 1990s.

Our place in the market

Broadly speaking, there are three main types of mail:

- transactional mail, which involves transactions between businesses and their customers (bills, invoices, accounts and statements)
- promotional mail (brochures, catalogues and other marketing communications)
- social mail (greeting cards, postcards and personal letters).

Letters are undeniably under pressure from electronic alternatives due to a variety of factors, including cost-reduction campaigns by some businesses and an ever-growing choice of communications media. However, mail is still proving to be an effective and relevant communication channel.

This has been confirmed in the study *A comparison of the effectiveness of marketing communication channels: perspectives from both receivers and senders* by leading marketing scholars Professor Peter Danaher and Professor John Rossiter. (Australia Post sponsored the research but was not directly involved in it.) The study, launched in 2006/07, reinforces the fact that transactional and promotional letters are influential as well as effective.

Some key results from the study were outlined in last year's annual report but it bears repeating that:

- recipients said that printed direct mail would be more likely to induce them to buy than a message received by email, phone or SMS
- householders were more likely to pay their bills on time when they received them by mail, rather than by email or SMS
- respondents who received personally addressed letters said that this type of mail outperformed email on all of the attributes that influence a product purchase.

Marketing research firm Roberts Research, which was also involved in the development of the study, is using the results of the research to help their clients achieve more effective marketing communications. (See page 12.)

Social mail constitutes only about 5 per cent of all letters in today's market but interest has been stimulated recently by some of our innovative greetings products (see PostGREETINGS, this page) and by greeting-cards websites (such as moonpig.com.au) that make sending cards easy and fun.

Letter volumes and revenue

The 2006/07 financial year was our strongest year for domestic letter volume growth since the 1990s, with an overall increase of 1.9 per cent (or 93.1 million letters). Once again, most of that growth was in promotional mail, with transactional mail remaining relatively flat and social mail continuing to decline slightly.

Direct mail volumes increased by 8 per cent this year (compared with 6 per cent last year). A 1.9 per cent increase in total domestic letter volumes created revenue growth of 1.2 per cent. Unaddressed Mail volumes increased by 11.4 per cent and PreSort letter volumes, with growth driven by direct mail, grew by 4.1 per cent.

Overall revenue growth for the letters & associated products business was 1.7 per cent. This is a significant achievement, as our basic postage rate has been frozen since 2003 – despite substantial increases in wages, fuel and other costs. As the table below left shows, Australia enjoys one of the most inexpensive letters services in the world.

The price of a basic postage stamp

(a comparison between 15 developed countries)

Country	AU$ price
Greece	1.23
Italy	1.18
Portugal	1.09
France	1.02
Germany	1.02
Japan	0.92
Switzerland	0.91
Netherlands	0.86
United Kingdom	0.85
Spain	0.63
Canada	0.60
United States	0.55
Australia	**0.50**
Korea	0.45
New Zealand	0.43

Sources: OECD and Australia Post
Note: Rates calculated using Purchasing Power Parity. All rates are inclusive of GST.

Growth through innovation

Innovation has continued to be the impetus for growth in our letters business, with an average of one new initiative per month being released throughout 2006/07. These initiatives (which included both trial and commercial offerings) focused on stimulating mail volume for both business and households and were designed to create new delivery solutions, encourage mail use and enable mail use.

Creating delivery solutions

Some of our new delivery products and services are outlined below.

Acquisition Mail is a non-personalised, semi-addressed (address but no name), bulk mail delivery service that allows businesses to send mail items to every address in specific geographic areas while excluding their existing customers.

One-Call Customer Mail is a complete direct mail solution in which Australia Post manages the printing, mailing and postage of a range of customised mail items for franchisees.

eLetter Ticket allows businesses to outsource the design, printing and production of customer-purchased tickets. eLetter Ticket enables the ticket and its carrier to be personalised with items such as a tax invoice, welcome message, event details or promotional offers.

eLetter Wrap's unique all-in-one folding solution enables an entire mail piece to be personalised – both inside and outside the envelope – creating individual and powerful direct mail communications that drive better response rates.

Through our **PostGREETINGS** website pages, we have promoted new products such as **TELeGRAM** alongside initiatives from external companies, such as mailCARDS and mmsPOSTCARDS. These allow customers to send real greeting cards, letters and postcards from their computers or mobile phones.

We also encouraged a new multi-channel delivery service that uses direct mail to invite customers to visit websites (PURLs) that are personalised with each customer's details. The originating company follows up these customer visits to the PURLs by sending relevant information via mail, email or SMS.

Encouraging mail use

We are providing a wide variety of information resources and tools to encourage businesses and community groups to use mail. (See also Promoting paper, page 15.)

Scent Mail, launched in December 2006, incorporates microencapsulated scent-infused ink as part of the print production process to increase the effectiveness of direct mail pieces. To stimulate uptake and awareness, Scent Mail was initially offered with a rebate on the cost of the scented ink.

The ourcommunity.com.au Marketing, Media and Post Centre of Excellence continued to be used extensively by more than 150,000 community networks and the government sector. A new book, *Effective Letters: 50 of the best*, was launched in June 2007. The book, which is supported by online letter templates, has been written to encourage the use of mail as an effective communication medium.

Monitoring of direct mail pieces in research company Nielsen's Mail Pix program has shown a shift in the market to more tightly targeted, innovative and attention-catching mail packs. Further market research, by Roy Morgan, shows that around 70 per cent of household promotional mail is read, filed or passed on to someone else in the household. Australia Post has been proactive

in developing new products and services to provide marketers with better "cut through" in their direct mail strategies.

Enabling mail use

We are developing and supporting a number of data-based solutions that facilitate ease of mail use for businesses and other groups.

Customer Locator is an Internet-enabled local address collection tool that helps businesses, franchisees and community organisations to create mailing lists that can be used to conduct local-area mail marketing.

Re-Connect enables organisations to re-establish contact with lost customers as well as reducing the amount of return-to-sender mail.

Transaction Universe is a mailing database containing details of 1.2 million individuals who have made purchases by mail order or donated by mail during the last two years.

Letters Group has also actively supported the development of youGROW UNIVERSAL, the only commercially available marketing database that allows manipulation of existing MYOB® accounting customer sales and contact data with zero re-keying.

Promoting paper

In last year's report we indicated that we would mount a comprehensive promotional campaign to highlight the benefits of paper-based communications for transactional, promotional and social use. This began in 2006/07, with the appointment of a dedicated manager to co-ordinate the campaign.

Some highlights of the campaign so far have been business functions to communicate research results; print-based advertising; and an internal competition "The letter of my life", in which staff wrote about life-changing letters they had received.

As well as promoting the benefits of paper-based communications, we are actively encouraging the sustainable use of paper and emphasising the importance of recovering and recycling paper. To this end, we joined Paper Round in 2006/07 (see page 41).

Improving efficiency

Australia Post's Mail & Networks Division (M&ND) continued to run a targeted cost-containment and efficiency program. Strategic initiatives, together with state-based operational improvements, have achieved considerable improvements in 2006/07. Progress has been achieved by a variety of measures, including:

- network consolidation and redesign
- productivity improvement in each production facility
- extended automation of processes
- improved operating equipment efficiencies
- improved management of transport operations
- upgraded information technology systems that support better network management.

Delivery performance and community service

Letters is Australia Post's only core business that is partially protected. Under the *Australian Postal Corporation Act 1989*, letters weighing 250 grams or less – or priced below $2 – are reserved to Australia Post. In return for this protected service, we are required to meet a series of community service obligations – all of which we met or exceeded in 2006/07. (See page 113 for a full description of our obligations and how we performed against them.)

One of the obligations that we must meet is 94 per cent on-time delivery of non-bulk letters. In 2006/07, we again exceeded that target, delivering 96.3 per cent of domestic letters on time or early (compared with 95.6 per cent the previous year). Nearly all of the remaining 3.7 per cent of letters were delivered the following day.

Monitoring service performance

Our delivery performance figures are measured against timetables in the regulated standards and they are also independently monitored and audited. Global monitoring company Research International is scrutinising our performance, and audit firm Deloitte Touche Tohmatsu provides independent certification of that performance.

The 2006/07 financial year was our first full year of mail monitoring using radio frequency identification (RFID) technology. Every month, the monitoring company inserts RFID tags into a variety of bulk and basic test letters. A network of people across Australia records when the letters are sent and received, and equipment in our mail centres and delivery centres registers the RFID tags as they pass through the buildings. The resulting data is also used to isolate and identify potential problems, which has helped to boost our service performance.

International letters

In 2006/07, we again exceeded our on-time delivery target (which is set by the Universal Postal Union) for inward international letters. Every incoming item of international mail is screened by customs and quarantine inspectors using detector dogs and / or X-ray equipment. See page 27 for more about our new international

We process around 21 million items of mail **every day**.

mail gateway facilities in Melbourne and Sydney.

Total international letter volumes decreased by 1.26 per cent during the year, due mainly to a decrease in outbound business mail. However, Express Courier International and our new Express Post International service (which cover both letters and parcels) have been extremely popular and shown significant growth (see page 27).

Bulk mail services

The mailing industry continued to show strong support for our Bulk Mail Partner Program in 2006/07, with 57 mail house sites achieving or maintaining accreditation (compared with 51 last year). The program, which is highly regarded in the industry, requires participating mail houses to meet defined standards for quality mail production. To retain their status, "non compliance" must be kept below 5 per cent of lodgements.

Mail production and handling

Mailroom services

Our subsidiary company Decipha provides a range of services – from integrated mailroom management through to digital mailroom applications. Decipha's clients are major business customers in areas such as financial services, government, health, travel and manufacturing.

In 2006/07 Decipha was engaged in expanding capabilities for existing clients and positioning the business for growth into the rapidly evolving market for workflow services. Some of these enhancements included:

- establishing national capability in mail security screening services
- enabling secure transmission of images between Decipha servicing sites using wide area network (WAN) to optimise processing capability
- improving physical and data security to new or expanded premises in Brisbane, Sydney, Melbourne and Perth
- introducing leading technology for the automation of imaging and data capture.

Revenue for 2006/07 is 2.7 per cent above that for the previous year (which saw an increase of 35.3 per cent in revenue).

PrintSoft

Our subsidiary company PrintSoft develops specialised software for letter and document production. PrintSoft employs around 180 people in 10 offices around the globe.

In 2006/07, PrintSoft launched WebDirect, a new software module that provides web-based workflows for desktop direct mail and letter applications. WebDirect is integrated with PrintSoft's award-winning DeskDirect software, which collects the small personalised jobs created throughout a company, applies postal sorting and data cleansing, and organises them into efficient, high-volume production print jobs. These jobs can either be printed centrally or subdivided electronically to printing locations around the world, close to the points of mail delivery.

PrintSoft's revenue increased by more than 10 per cent in 2006/07.

eLetter Solutions

The eLetter Solutions suite of products allows customers to send mail from their computers to their customers' physical letterboxes.

eLetter Solutions had an excellent year, with volumes increasing to 93.5 million mail items (84 million in 2005/06) and revenue increasing by 5.9 per cent (16.8 per cent the previous year).

We developed a wide range of innovative products (see page 14 for examples) and worked closely with PrintSoft to develop a cross-border hybrid mail service between Australia and New Zealand. This will be operational in 2007/08.

We also undertook several projects to enhance operational effectiveness during the year, including integrity systems and a new billing and stock management system. These are expected to be implemented nationally in 2007/08.

Data services

Australia Post's consumer data and media services business, First Direct Solutions, operates in the broader communications market and includes paper-based and digital communications as well as mail redirection and mail hold products.

First Direct Solutions provides data and media services targeted at the business-to-consumer market. Its current data assets include the "Lifestyle", "Movers", "Data Co-operative" and "Australian Address Reference Files" databases. In 2006/07 the division launched new products and an online data channel resulting in revenue growth of 16 per cent, an 8 per cent increase in the size of the database and 33 per cent growth in records distributed to market.

Mail Redirection and Mail Hold, managed within First Direct Solutions, continued their exceptional performance, with combined revenue growth of 16.4 per cent.

The future

In order to keep letters viable and relevant, we will stimulate mail volumes by continuing to promote paper-based communication. This campaign will focus on effectiveness (rather than cost) for transactional mail, emotional connection for social mail, and letters as a successful marketing medium for promotional mail.

We will work with our customers and industry suppliers to improve the mail production process and we will continue to develop innovative products – including those that combine the convenience of electronic media with the effectiveness of paper. Targeting small businesses, we will offer information and tools to provide them with useful databases and encourage them to try a variety of direct mail products.

We are committed to providing our customers with value as well as products and services that meet their changing needs.

Making marketing and mailing (plus delivery) easy

Wine Supply Direct, in the famous Hunter Valley, fulfils mail orders of more than 100,000 bottles of wine for its customers every year via Australia Post's Wine Delivery Service.

Founder Simon Whitaker uses eLetter Desktop to produce four newsletters a year and distribute them to the company's extensive customer base. "We prepare our newsletter in a template we designed using the free eLetter Desktop software," he says. "We then email a file to eLetter Solutions for printing, addressing and mailing. And – because eLetter Solutions has a print network in six states – most of our customers get the newsletter the next day … which means the orders start coming in virtually straight away and people get their purchases lightning fast.

"We find that our customers really appreciate being kept updated on the latest wine deals – and that's much easier to do since we started using eLetter Desktop."

Providing packaging for ancient treasures

Archeology Pty Ltd sells ancient Greek, Roman, Judean and Byzantine coins and antiquities. What started out as Bruce Munday's personal passion went on to become a weekend business. Now his son James is running the business full-time, ably assisted by his mum Julie (pictured) and by Bruce. Without a dedicated website, they sell to customers in 27 countries – doing all their trading online through Trading Post and eBay.

Archeology uses a range of mail services – including regular mail, registered mail, Express Post and Express Courier International – and they exclusively use Australia Post packaging products. "We're able to leverage excellent discounts by buying box lots of padded bags, tough bags and Postpak boxes," says James. "We always buy from our local licensed post office at Sandhurst East [in Bendigo, Victoria]. We're a family business and they're a family business too … and that relationship works extremely well for us."

Highlights

- We carried out 1.4 million proof of identity checks on behalf of Australian businesses and government organisations.
- Our people served around a million customers every business day in our 4,449 postal outlets.
- We started a comprehensive program to deliver efficiencies and reduce costs across our entire retail supply chain.
- A new corporate uniform – designed by Carla Zampatti – was introduced for our retail staff.
- We conducted 1.16 million passport interviews.
- We processed 186 million agency-based banking and bill-payment transactions.

CORE BUSINESS

Retail & agency services

Our retail outlets everywhere around the country are a vital point of connection for communities, our customers, businesses, financial institutions and government agencies. In 2006/07, we introduced a number of new identity and verification services and developed new product and service themes to help our customers get things done.

Our place in the market

Australia Post's network of postal outlets is the largest physical retail chain in the nation. Under the *Australian Postal Corporation Act 1989*, we have a community service obligation to maintain a minimum of 4,000 postal outlets – including 2,500 in rural and remote areas. As the table on page 20 shows, in 2006/07 we exceeded that requirement with a total of 4,449 postal outlets, including 2,553 in rural and remote locations.

Research has shown that Australia Post retail outlets are a destination of choice for our customers to "get things done".

We offer proof of identity services; financial services, including bill payment, banking and money transfers; pre-paid mail products; packaging products; and a wide range of merchandise. Our postal outlets are also important as the retail face of our letters and parcels services.

Our main goal in the retail products & agency services portfolio is to maximise returns from our existing products and services while repositioning ourselves to deliver future sustainable growth. We are doing this by:

- making existing products and services more relevant, reducing costs and continually improving customer service
- seeking new opportunities in financial and proof of identity services
- developing a suite of new products that closely complements these services.

Australia Post retail outlets at 30 June 2007

	NSW/ACT	Qld	SA/NT	Vic/Tas	WA	Australia
Corporate offices	279	173	77	227	90	846
Licensed post offices and franchises	913	463	320	975	298	2,969
Community postal agents	100	185	184	74	91	634
Total outlets	**1,292**	**821**	**581**	**1,276**	**479**	**4,449**

Note: This table uses Australia Post administrative states, not geographic states (which form the basis of Table 4 on page 128.)

Retail & agency services revenue

As a result of continued inventory management improvements in 2006/07, we saw both revenue and profits from our retail business increase by 1.3 per cent and 0.3 per cent respectively. Agency services also achieved revenue growth of 1.7 per cent, despite changing customer payment preferences and fierce competition in the bill payment market.

Our business partners

Two-thirds of our total retail network is made up of licensed post offices (LPOs). At 30 June 2007, we had 2,969 LPOs. In 2006/07, retail & agency revenue from this segment of our network increased by 1.5 per cent. This represented 40.6 per cent of total retail & agency revenue.

Each LPO is an independently run small business that plays an important economic role in the local community. We publish a quarterly *Licensee Bulletin* to provide ongoing support for our LPOs, and licensees also receive the monthly workforce magazine *Post Journal*. To further assist our licensees, the Licensee Advisory Council (LAC) was established in 2002 as a forum for licensees and Australia Post to identify business opportunities and address relevant matters of concern. The national LAC consists of nine elected licensee representatives and four senior managers from Australia Post's national retail business. There is also an LAC in each state. In 2006/07, the national LAC met in July, October, February and May.

Some of the LAC's achievements in 2006/07 included:

- playing an integral role in establishing new supplier arrangements for a variety of products and assisting in the development of a number of new products
- providing feedback to Australia Post on a range of product and sales issues.

Our newer business partners are our franchisees, who operate their businesses in conjunction with our current LPO and corporate PostShop networks. As at 30 June 2007, we had 16 franchised outlets.

Serving our customers

Every business day we serve around a million customers in our postal outlets and we are constantly seeking to improve our service. We have done much work over the past two years to identify emerging customer needs and, as a result of customer feedback, we tested a "service centre" concept in 2006/07. Now that the trial has concluded, we are progressively rolling out key elements that proved most successful at the pilot sites.

Delivering quality customer service

Over the entire service network, our people achieved an excellent customer service rating of 96 per cent in our priorityCustomer mystery shopping program (compared with 95.6 per cent the previous year). This was our fourth consecutive year of improvement.

Our Retail Star Performance program (established in 2003) is also continuing to deliver genuine improvements in customer service and the accurate processing of agency services. The program provides cash incentives for staff in corporate outlets who meet or exceed specified performance targets. Key measures for the program are set each year, in line with key corporate and commercial strategic objectives.

See page 36 for information about our customer contact centres.

Helping our customers "get things done"

Last year we began a system of grouping our products and services to help our customers "get things done" and define our offers more clearly. This approach, verified through research, has proved popular and we have begun a trial of the following themes:

- postal services and packaging
- bills, banking and money transfer services
- government forms, applications and identification
- small office / home office (stationery, communications and technology)
- gifts
- travel.

We have taken a similar approach with our business customers and developed the following themes:

- delivering your product
- marketing your business
- collecting your customers' payments
- supplying your office.

A new look for our people

Our new retail uniforms, launched in 2006/07, were created exclusively for Australia Post by acclaimed Australian designer Carla Zampatti. Ms Zampatti, who received an Australia Post Australian Legends Award in 2005, developed the clothing in close consultation with our retail staff to ensure that it met the needs of a variety of work situations. Staff focus groups tested the designs (and provided extremely positive feedback) before the launch of the new corporate collection. (See inside front cover.)

Retail products

Recent research has shown that Australia Post outlets are a destination for packaging and philatelic products, while the other categories (including stationery, greeting cards and office products) are regarded by our customers as convenience goods that complement our core services.

Merchandise

In 2006/07, we sourced and introduced new products (eg Smiggle stationery, iTunes, gift cards and travel accessories) to support our growth objectives. This, together with strong results in our core merchandise lines, resulted in revenue growth of 3 per cent. Gross margin performance was again strong, with 6 per cent growth achieved. Some other achievements in this area are listed below.

- Merchandise inventory was maintained at 30 per cent below peak levels.
- External retail experts were appointed to the positions of Group Manager Retail Services, National Merchandising Manager and Visual Merchandise Manager.
- Packaging revenue increased by 7.4 per cent. This category continues to perform strongly, with growth in electronic commerce being a key factor in producing a result closely aligned to that of our parcels business.
- General merchandise revenue increased by 12.5 per cent. Excellent Christmas trading and growth in key lines (eg books) support this result, which is well above market performance.

Our philatelic program

Australia Post's Philatelic Group produces postage stamps and a variety of products for stamp enthusiasts. Growth in this area has been largely driven by the sale of licensed products. Developed in conjunction with the likes of Cricket Australia, Disney, Warner Bros, AFL and NRL, they generated more than $1 million in revenue during the financial year.

The range of collectable products was further extended this year with the release of two more catalogues in the Impressions series. As well as giving stamp collectors a wider range of collectables from which to choose, the catalogues are taking philatelic products to customers outside of the traditional philatelist market segment.

Stamp highlights of the year included:

- Australia wins the Ashes (issued January 2007). An 8,000-copy limited-edition Ashes Victory stamp and coin cover sold out in days.
- Year of the Surf Lifesaver (released March 2007). We produced a series of stamps – including Australia's first moving-image stamp – to commemorate the Year of the Surf Lifesaver. The stamp was created with cutting-edge technology involving high-resolution video images and multiple optical plastic lenses.
- Lunar New Year (Christmas Island) stamps (released January 2007). Australia Post produces the stamps for the Australian territories – Cocos (Keeling) Islands, Australian Antarctic Territory and Christmas Island. This year saw the release of Australia's first round stamp to celebrate the end of the 12-year cycle of the Chinese zodiac (Year of the Pig).

See the inside back cover to view a selection of the year's stamp issues and page 37 for information about our philatelic exhibitions.

Greater efficiencies

In 2006/07, we began a three-year program to deliver efficiencies across our entire retail supply chain. The program includes a review of all of our purchasing, fulfilment and distribution systems to identify opportunities for reducing costs, improving service performance and optimising inventory levels.

We are also working more closely with our suppliers to eliminate duplication of processes and functions and with Post Logistics to develop a best-practice distribution solution. Since many of our gift items are now sourced in China, we can use the parcels & logistics supply chain (see page 27) to deliver pre-configured merchandising packages direct into store. This flexible system of distribution will allow us to be more responsive to our customers' needs.

Agency services

We know that more than half of our customers visit an Australia Post outlet specifically for agency transactions – to "get things done". Our retail outlets perform a wide range of agency services on behalf of Australian businesses and government bodies, including proof of identity services, bill payment, money transfers and

We serve around a million customers **every day** in our retail outlets.

travellers' cheques, and agency-based banking services. At the end of the 2006/07 financial year, 3,291 of our outlets had the technological capability to conduct agency services.

Bill payment

Advances in technology – particularly the take-up of broadband – have caused a shift away from over-the-counter bill payments. This has been increased by billers actively discouraging in-person transactions by imposing credit card surcharges, giving discounts for online payments or mandating direct debit bill payments.

Australia Post is still the pre-eminent in-person bill payment provider but we experienced a decline in over-the-counter payments during 2006/07, with the number of transactions falling to 158 million (164 million last year). Accordingly, from October 2007, we will be withdrawing our registered phone and Internet bill payment services, electronic bill presentment service, and Billmanager. Australia Post will continue to provide over-the-counter, telephone and Internet access for ad-hoc credit card bill payments. These changes will ensure that we continue to offer our customers reliable, high-quality and efficient bill payment options – focusing on the services they prefer to use.

Proof of identity services

Australia Post has been providing proof of identity services for some time. However, over recent years, these have become a much more important part of our agency services business, with growth in demand driven by the tightening of industry and government regulations and by efforts to prevent fraud. We are also actively pursuing new opportunities in this burgeoning market. In 2006/07, we achieved a 25 per cent increase in identity-related transactions, with revenue growth of 56 per cent.

To support this growth, we introduced a number of major operational, system and procedural changes to ensure high levels of compliance and customer satisfaction. This includes new software that speeds up the process involved in 100-point identification checks.

We currently carry out 100-point identification checks for 39 financial institutions and we perform a variety of other proof of identity services for a further 23 businesses and government bodies. New clients in 2006/07 included WorkSafe Victoria, the Victorian WorkCover Authority and NSW Teachers Credit Union.

We also carried out 1.16 million passport interviews during 2006/07 on behalf of the Department of Foreign Affairs and Trade and we now handle around 95 per cent of Australian passport applications. To complement this service, in 2006/07 we increased the number of outlets offering instant passport photos to more than 1,000 outlets (from 869 the previous year). By June 2008, we intend to be able to offer this service at around 2,000 outlets.

In an exciting development this year, we joined with VeriSign to provide VIP Online Security – a unique form of security to help reduce Internet banking fraud. (See auspost.com.au/viponlinesecurity for more information.) We signed our first VIP Online Security customer, NSW Teachers Credit Union, in February 2007.

Banking services

Our Bank@Post agency banking service allows customers to make deposits, withdrawals, credit card payments and balance enquiries with over 75 Australian financial institutions. Around 3,300 Australia Post outlets now offer electronic banking, including 1,467 in remote and rural locations.

In 2006/07, we processed 28 million banking transactions – 5.6 per cent fewer than last year – which reflects the continuing effect of online banking and the expansion of EFTPOS cash-out and ATM networks around the country.

Money transfers and travellers' cheques

Australia Post is the largest agent for Western Union Money Transfer in Australia, with transaction volumes increasing by 25 per cent in 2006/07. Sales of American Express® Travellers Cheques and foreign cash also increased by 21 per cent.

During 2006/07, we introduced a new travel money product – the Travelex Cash Passport – which offers travellers a safe and convenient way to take their money overseas. The PIN-protected Cash Passport card can be used to withdraw cash at more than a million Visa ATMs around the world.

The future

In 2006/07, we began a review of our product range to align it with the specific buying behaviour of customers at a local level. In the coming year it will be complemented by a merchandising program that is designed to make shopping easier for our customers as well as achieving a consistent look for all of our stores.

In the coming year, we will introduce a more diverse range of services – particularly proof of identity services – and products that complement our core businesses and fit well with our customers' needs at a local level.

We will also explore new and better ways of serving our customers, by trialling different types of retail formats.

We will continue to work with our major suppliers to realise the benefits of improved procedures, particularly of a more efficient re-engineered supply chain process. And we will continue the development of our people in best-practice retailing skills.

Linking large organisations with the wider community

People all over Australia are responsible for the care of children every day – in schools and kindergartens, child care centres, clubs and sporting groups (like the Subiaco Under-10s soccer team, pictured).

The Western Australian government has introduced legislation to help protect children in the community: the Working with Children (WWC) Check is a compulsory criminal record screening for anyone who works with children. Australia Post retail outlets are now the points of contact for anyone who needs to have a check done. We take each applicant's photo, accept their fee and run a 100-point identification check.

"Australia Post's extensive retail network means that we can make contact with people all over the state, including rural and remote areas," says Sandie van Soelen, Director, Working with Children Screening Unit, Department for Child Protection.

"It's also very important to us to have such a trusted organisation collecting people's personal information on our behalf."

Producing a tailor-made solution

For swimwear and apparel manufacturer Speedo, timing and accuracy are critical. Speedo's range of 5,000 different styles, colours and sizes needs to reach the shops in time for the peak sales period – and ongoing orders need to be picked with absolute precision.

The Post Logistics team at Wetherill Park in Sydney developed a customised solution for Speedo that makes use of one of Australia's first "spiralveyors" (pictured), which links conveyors on three levels. The area is used for both storing products and picking orders, with the fastest moving product lines kept on the ground level. Post Logistics also provides value-added services, such as putting customised-retailer price tickets on the products and placing them on hangers so that Speedo stock can go straight onto the floor as soon as it arrives in-store.

"Our customers are delighted at the speed of their 'at once' repeat orders," says Speedo General Manager Rob Davies. "And they've commented on how well their indent orders have been delivered to them – on time, in full and packed very efficiently!"

Highlights

- We delivered 99.7 per cent of Express Post items, and 96.6 per cent of parcels, on time.
- Express Post volumes increased by 9.5 per cent and revenue increased by 14.2 per cent.
- Domestic parcel volumes increased by 3.7 per cent, marking five successive years of robust growth.
- International parcel volumes increased by 8.4 per cent and revenue increased by 6.56 per cent.
- Express Courier International achieved revenue growth of 12.3 per cent and volume growth of 9.5 per cent.
- We introduced the new Express Post International service, which has created $6.7 million revenue in the nine months following its launch.

CORE BUSINESS

Parcels & logistics

Australia Post is a key player in the highly competitive, unregulated parcels & logistics market within the Asia–Pacific region. Our international supply chain expertise, combined with our efficient door-to-door distribution network, means we can provide our customers with unparalleled excellence in innovative business solutions and service.

Our place in the market

The parcels & logistics market in Australia and the Asia–Pacific region is fiercely competitive, characterised by fast-paced changes in customer behaviour – and it is worth many billions of dollars a year.

Our main goal is to be the "essential partner" for domestic parcels & logistics services and a key facilitator for Australian businesses that manufacture and trade in the Asia–Pacific region. We are achieving this by:

- bringing together a suite of highly recognised, reliable and competitively priced products
- extending partnerships with our customers and suppliers to meet an escalating demand for global parcels and logistics services
- continuing to contain network costs while maintaining our high service standards.

Parcels & logistics business is vital to Australia Post's future profit growth: in 2006/07 it was the largest profit generator of our three business portfolios.

Domestic parcels

Parcel Post

Parcel Post is Australia's market leader for parcel deliveries from business to consumer (B2C) and consumer to consumer (C2C). Our reliable service, nationwide reach and competitive pricing for single parcels have all been crucial contributors to this success. We delivered 95.8 per cent of small parcels and 96.7 per cent of large parcels on time or early in 2006/07 (compared with 95.7 per cent and 96.5 per cent the previous financial year).

The 2006/07 financial year was our fifth consecutive year of strong growth. Parcel Post volumes increased by 3.7 per cent and revenue increased by 10.4 per cent.

As part of our regular price review process, prices for Express Post, Parcel Post and International Post (letters and parcels) all increased in March 2007 by an average of between 2.5 and 5.9 per cent. It is important to note that, unlike many parcel delivery businesses, we do not impose fuel surcharges.

Growth in consumer deliveries continued to be driven by the boom in online trading – particularly in the areas of wine, electronic goods, books, CDs and DVDs. We are increasingly targeting niche industries – such as the wine trade – and, as a result, we now have a significant share of the B2C Australian wine fulfilment market. (See page 17.)

Post eParcel

Online trading is also providing growth opportunities for Post eParcel, but the strongest area of growth has been in the B2B market. Reliable parcel tracking is a key requirement for this highly competitive market segment and, in 2006/07, we completed the upgrade of our Post eParcel service to include a new electronic acceptance system. This makes it easier for our customers to lodge and track their parcels online.

The new system also offers integrated electronic access to Express Post eParcel (guaranteed next-business-day delivery within the Express Post network) and a range of international services, including Express Courier International. Most importantly, our upgraded network capabilities for the Post eParcel service provide our B2B customers with more efficient management of their multi-parcel consignments.

Express and courier services

Express Post

Our Express Post service continued to perform solidly, with 5.6 per cent growth in volume and a 10.8 per cent increase in revenue.

Growth has been particularly strong in satchels and parcels, driven in part by Internet trading and, as noted above, by the increased capabilities (eg online tracking and proof of delivery) provided by Express Post eParcel.

Reliability is the cornerstone of the Express Post service, and in 2006/07 we delivered 99.7 per cent of all Express Post items on time or early, again exceeding our target of 99 per cent on-time delivery.

Messenger Post Couriers

Messenger Post Couriers aims to be Australia's pre-eminent provider of courier distribution services to business. Through our reliable, premium service we have established ourselves as the regular courier of choice for a number of major Australian business customers and, over the past three years, this service has experienced average growth of 35 per cent per year.

We introduced a number of technological improvements in 2006/07. Messenger Post was the first courier provider in Australia to roll out the latest handheld device (using Windows Mobile 5.0 operating system). The new device is helping us to meet customer requirements for "intelligent deliveries" by providing identity verification and capture. Other developments included the launch of a new website (auspost.com.au/messengerpost), which incorporates features such as SMS notification of delivery, printing of consignment labels and the ability to make interstate bookings. The system also accepts electronic manifests from warehouse management systems, allowing speedy booking of multiple jobs.

In September 2006, we acquired the Melbourne-based courier companies Beeline and Transmet. Both companies have been integrated with our fleet and operations, increasing our network coverage and bringing our national courier fleet to approximately 875 vehicles.

During the financial year, we also expanded our courier services premises in Melbourne, Sydney and Perth, positioning our business for future growth.

We've been **everywhere**, man! Express Courier International delivers to more than 200 countries and territories around the world – from Albania to Zambia.

International parcels

International parcel volumes increased by 8.4 per cent and revenue increased by 6.5 per cent during the year. This growth was due mainly to superior delivery performance for Express Courier International, driven by the KPG Alliance – our partnership with China Post, Hongkong Post, Japan Post, Korea Post and the United States Postal Service. Royal Mail (UK) and Correos (Spain) joined KPG in late 2006 – and three further postal administrations have expressed strong interest in joining KPG in the 2008 calendar year. Our membership in the alliance has given us greater control over delivery in destination countries, which has raised performance standards considerably.

Express Courier International

Express Courier International is a cost-effective service that provides trackable door-to-door delivery to more than 200 countries and territories, with deliveries between most major cities taking between two and four business days. Some significant differences from our competitors' services include:

- our ability to deliver to post office boxes as well as remote and rural areas
- the convenience of prepaid envelopes, satchels and boxes
- the ability to lodge items in gold street posting boxes.

The service (which was launched in March 2005) continued to make excellent progress in 2006/07, with volume growth of 9.5 per cent and revenue growth of 12.3 per cent.

Air Parcels

As of September 2006, we withdrew our Economy Air Parcels service because of increasing costs and falling demand. (The Economy Air Letters service was withdrawn in 1999 for similar reasons.) Our customers are now using Air Parcels, which offers a more comprehensive service and is performing well.

Express Post International Parcels

We also launched our Express Post International Parcels service in September 2006. It offers priority handling, basic tracking where available and signature on delivery for items over 2 kilograms, with delivery within three to seven business days between metropolitan areas of major cities. In the nine months following its launch, the new service generated revenue of $6.7 million.

International gateway facilities

In March 2007, Communications Minister Senator Helen Coonan officially opened our gateway facilities in Melbourne and Sydney. We work closely with the Australian Customs Service and Australian Quarantine & Inspection Service at the facilities to screen 100 per cent of inward international mail for prohibited or dangerous materials.

The Federal Government contributed funding to upgrade the Sydney facility, build the Melbourne facility and provide new processing equipment to protect Australia's border security, agriculture and environment.

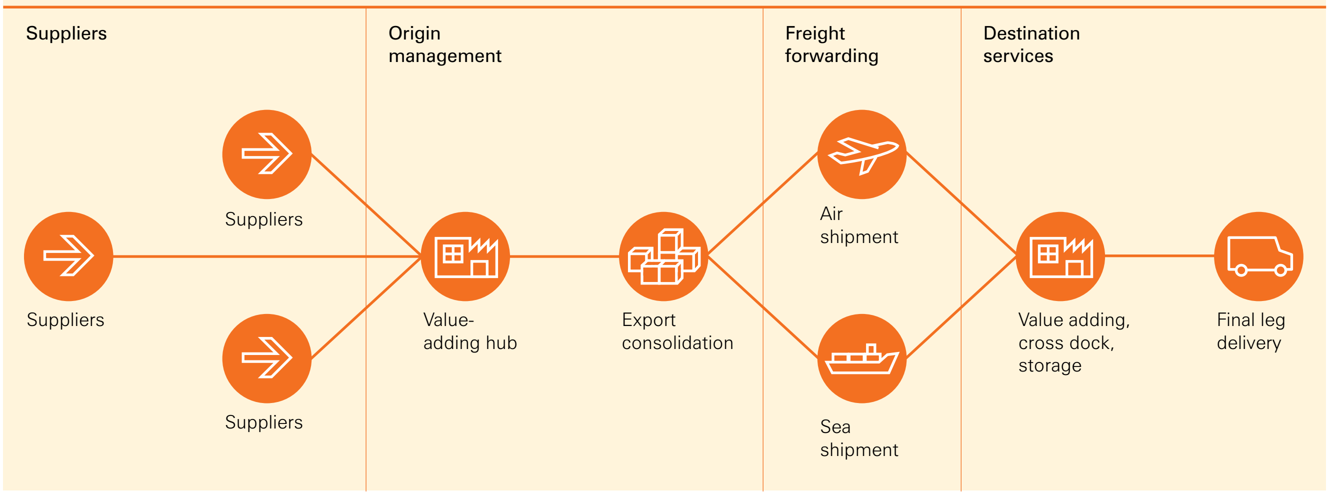
Logistics services

Post Logistics

In 2006/07, Post Logistics accomplished revenue growth of 8 per cent. International supply chain revenue has grown by 220 per cent. We processed more than 3 million orders across 20 million lines, with more than 124 million items being picked in our warehouses. We achieved order accuracy in excess of 99.5 per cent and our overall on-time despatch was 98.7 per cent.

Post Logistics offers business customers a complete end-to-end supply chain capability from the manufacturer (domestic or international) to the end consumer. We are strategically positioned in the Asia–Pacific region to offer a "one stop shop" for customers operating supply chains between China and Australia. The diagram below is a simplified depiction of the service we provide.

Our supply chain – end-to-end capability



Some of the value-added services that Post Logistics provides at various points in the supply chain include:

- multi-country consolidation (sourcing products or components from several countries)
- multi-mode international freight forwarding
- destination port and customs services
- electronic order processing
- automated reporting and credit management
- warehousing (in metropolitan and regional Australia and in China)
- inventory management
- kitting, and pick and pack
- distribution and returns management.

Dealing with one service partner who can manage their entire supply chain saves businesses time and money, offers more flexible solutions, provides shared efficiencies and increases the security of intellectual property. This capability is becoming ever more important as numerous Australian businesses continue to source products and product components offshore.

Our customers are increasingly looking for a whole-of-supply-chain partner with global reach, who can link formerly segmented service offers to provide complex, design-based solutions that complement Australia Post's more traditional network capabilities.

Our team is made up of skilled logistics experts from Australia and overseas. Our international supply chain is also supported by our wholly owned Hong Kong subsidiary (Post Logistics Hong Kong) as well as our joint-venture partnership with China Post – Sai Cheng Logistics International. This means that we can claim local knowledge and expertise in Australia and China as well as in our agency network in other countries.

In 2006/07, Post Logistics increased its long-term customer base by securing several national warehousing and distribution customers who were seeking advantages from the integrated service offer.

Australis Music Group is one such customer. It has 14 factories in China, each producing different types of musical instruments and accessories. These are now all sent to one central Sai Cheng warehouse, and mixed consignments are then shipped to distributors around the world.

Domestic logistics facilities

Post Logistics' current Australian operation includes 19 purpose-built, AAA insurance-rated logistics centres in metropolitan locations – providing more than 240,000 square metres of high-quality warehousing.

In January 2007, we opened a new 32,000 square metre logistics centre in Altona (Victoria), strategically located close to Melbourne's Tullamarine and Essendon airports, the Melbourne Parcels Centre and the Port of Melbourne.

The completion of this facility finalises another step in the strategic development plan for our parcels & logistics business and complements a similar-sized facility in Greystanes (New South Wales), which opened in July 2006.

Integrating acquisitions

The 2005 acquisition of State Warehousing and Distribution Services (SWADS) added 12 warehouses to our logistics capability, boosted our presence in the B2B market, brought us new customers and expanded our areas of industry expertise. SWADS has now been fully integrated into the business and, as of February 2007, was rebranded Post Logistics Australasia Pty Ltd.

Our ongoing program of strategic acquisitions has led to our exceptional levels of expertise in warehousing and delivery of specialist products – including whitegoods, appliances, DVDs and other electronic home entertainment media – and in the delivery of groceries (including frozen, chilled and fresh produce).

Joint-venture partners

Australia Post is a joint-venture partner with Qantas in the Australian air Express and Star Track Express parcel delivery businesses. Star Track Express specialises in transporting time-critical B2B freight. The majority of its business comes from its national express road freight service. Australian air Express offers complementary time-critical express linehaul and air delivery services.

The combined revenue of these joint-venture partners increased by 12.4 per cent in 2006/07.

In January 2005, we established Sai Cheng Logistics International, a joint venture with China Post. We now have five Sai Cheng sites in Shanghai and southern China. At the end of the financial year, 11 Australian customers were using our international supply chain and warehousing services and several Chinese companies were using our domestic services within China.

The future

Our long-term focus in parcels & logistics will be to secure a greater share of parcels & logistics business both within Australia and overseas, particularly in the B2B market segment. We will continue to expand our infrastructure, develop our people's skills and build our customer bases to constantly improve our service offer.

We will maintain our focus on encouraging innovation to provide flexible solutions for our discerning customers and we will continue to seize global and domestic market opportunities that allow us to extend and develop our business.

Delivering a pet project

When Queensland vet Mark Perissinotto (front) launched his business VetShopOnline with his brother Steven (standing), it was just a sideline to their private veterinary practice. Eight years later, the business boasts 84,000 regular customers in around 30 countries.

The VetShopOnline site – which sells discount pet supplies such as flea and tick treatments, toys, grooming products and dietary supplements – receives 10,000 orders on average every month.

Mark says they needed "a business partner large enough and experienced enough to handle the logistics – and we found this in Australia Post.

"We use domestic and international services, including Express Courier International and eParcel. The sales team at Australia Post knows our business and has helped us with a variety of effective solutions to get our products to our customers quickly and economically."

Planning our workforce of the future

We use very specialised and sophisticated technology to operate our business – from machine technology that can read hand writing to parcel-sorting machines half the size of the Melbourne Cricket Ground. And we need a highly skilled workforce to maintain and repair it.

Around 400 electro-technical specialists work in our facilities throughout Australia. With a number of those specialists approaching retirement age, we needed to develop a strategy to address our future workforce requirements.

In 2005, we introduced a national apprenticeship program to attract talented young people into our technical workforce and to offer mid-career opportunities for existing workers.

Travis Brook and Karen Beaglehole, pictured here, are second-year apprentices at the Adelaide Mail Centre – a 24-hour facility with 11 mail-sorting machines. Travis is a youth apprentice and Karen worked for Australia Post as a trades assistant for 11 years before taking up her mid-career apprenticeship.

Highlights

- We developed three major workforce sustainability initiatives in 2006/07: workforce planning, an age and youth strategy and an employment value proposition.
- Our lost time injury frequency rate reached a record low of 7.4 lost-time injuries per million work hours.
- We received a New South Wales Violence Against Women Prevention Award for our work in the prevention of violence against women.
- We continued to provide financial education to our staff through our successful Money for Keeps program.
- Around 73 per cent of staff participated in our annual Staff Attitude Survey.
- We rewarded our people's innovation and excellence with the National Excellence Awards.

CORPORATE SUSTAINABILITY

People

Our people – their skills and knowledge, the relationships they have built with our customers, their innovation and productivity – are critical to the success of all areas of our business. With the help of our people, we are exploring different ways to meet future business challenges and develop plans for moving ahead together.

Our diverse workforce

The diversity of our workforce means that we are very representative of the communities we serve all over Australia. Valuing difference and acknowledging the individual skills and talents of our diverse workforce brings significant business benefits to Australia Post and plays a strong part in our being an employer of choice. Our 34,732 men and women are aged between 16 and 76, and represent 135 nationalities. In 2006/07, the number of employees from non-English speaking backgrounds increased to 21.1 per cent (20.9 per cent in 2005/06), while representation of people with disabilities fell slightly to 8.5 per cent.

Representation of Indigenous staff also fell slightly in 2006/07 to 559 people – or 1.6 per cent of our workforce (1.7 per cent last year). Australia Post has long been a leader in Indigenous employment, with dedicated strategies in place since 1988. Since this time, some Indigenous employees have moved on to other opportunities outside Australia Post and we are proud to have been a stepping stone to employment success that might otherwise have been denied them.

Our Workforce Diversity Business Strategy 2005–2008 emphasises the business value of productive diversity. The Diversity@Post Kit continues to be the cornerstone of our practical diversity program, as it records how managers have used workforce diversity to improve business outcomes. Stories are added to the kit twice yearly, forming a reference library for all managers.

Equal employment opportunity

In 2007, we celebrated 30 years since the introduction of our first equal employment opportunity (EEO) strategy. Well ahead of the majority of legislative requirements,

Our workforce profile at 30 June 2007

	Number of employees	% of workforce
Total staff	34,732	100
Men	20,897	60.2
Women	13,835	39.8
Full-time staff	25,071	72.2
Part-time staff	9,661	27.8
People from non-English speaking backgrounds	7,319	21.1
People with disabilities	2,935	8.5
Indigenous Australians	559	1.6

Australia Post's commitment to equal opportunity in the workplace has produced significant gains over that time – particularly for women. Thirty years ago, women represented 12.8 per cent of the Australia Post workforce; there were only 35 women managers and no female executives. Today, 39.8 per cent of our workforce are women, 19.4 per cent of our executives are women and 30.2 per cent of our managers are women, including 47.5 per cent of postal managers. The number of women in management roles increased from 648 last year to 662 in the current year.

Our EEO commitment also extends to people of non-English speaking backgrounds and those with disabilities. More information about our diversity and EEO initiatives can be found at auspost.com.au.

Workforce sustainability

In order to ensure business sustainability, Australia Post is taking a proactive approach to the issues of Australia's ageing population and dwindling labour market. In 2006/07 we initiated development of three major workforce sustainability initiatives: workforce planning, an Age and Youth Strategy and an Employment Value Proposition.

Workforce planning

Workforce planning involves ongoing examination of a variety of external and internal indicators in order to identify current workforce needs and predict future workplace requirements. Using gap assessments, early action can be taken to prepare for our future needs and inform decision makers about the potential outcomes of their plans. At the time of publication, workforce plans had been developed for our technical and transport workforce, and for postal service officer (retail) positions. (See page 30.) Over the next 12 months, this methodology will be applied across other critical roles.

Age and youth strategy

Australia Post's Age and Youth Strategy recognises the challenges posed by a declining labour market of young people while, at the same time, large numbers of "baby boomers" head towards retirement. The strategy is designed to encourage the retention and continuing development of our people through the following key areas:

- work / life and job design flexibility
- career management
- learning and development opportunities
- knowledge management
- health and wellbeing
- retirement transition.

Employment value proposition

We have identified the need to develop a clear employment "brand" that will act as a reference point for all future decisions affecting staff-related policies and practices. Australia Post's Employment Value Proposition (EVP) defines what we expect from our current and potential employees, as well as what our employees can expect from us. The aim of the EVP is to align our "people promise" with the experience we promise our customers through our products, service standards and brand.

Engaging our people

Employee communications are a strategic priority for Australia Post: as our people are key stakeholders in our business, it is vital that we involve and engage them. We produce regular publications – including *Post Journal*, *Contractor News*, *Licensee Bulletin* and staff information bulletins – to advise our people of business decisions and inform them about various areas of the business. Our intranet system (which can currently be accessed by approximately 10,000 staff) includes information and updates from all areas of the business.

Staff attitude survey

Staff opinions from the 2006 national Staff Attitude Survey have been invaluable in developing Australia Post initiatives in 2006/07, including the EVP, our Age and Youth Strategy and the Line Manager as Coach program. (See page 34.)

Strategies have also been developed at divisional levels to address issues identified in the 2006 survey results. At the local level, individual work centres have implemented a variety of action plans to address those issues – including toolbox talks to increase communication, improved reward and recognition programs, and job rotation to help people learn new skills.

In May 2007, we conducted our third annual survey to gain continued insight into the views of our people. Almost 25,000 employees (73 per cent of our staff) responded to the survey (3 per cent more than in 2006). Further action plans, based on the results of this survey, will be implemented in the 2007/08 financial year.

Employee health and wellbeing

We are committed to empowering our people to achieve good general health and wellbeing and enhance their work performance and productivity.

The Health Resource Centre – which provides free information, referrals, advice and support for all employees – experienced an upsurge in requests for ideas and support during 2006/07. These requests were in direct response to workplace health

promotions that included information on family activities and nutrition.

In 2006/07, we instigated our Domestic and Family Violence Policy with training sessions for managers and supervisors. An independent evaluation showed that 73 per cent of managers and supervisors considered that the policy and its implementation has considerably increased their confidence and skills to deal with the issue. As a result of this program, we received a New South Wales Violence Against Women Prevention Award for our work in the prevention of violence against women. We also supported International Day for the Elimination of Violence Against Women (White Ribbon Day) on 25 November 2006 by distributing white ribbons to the 35,000 Australia Post people who wanted to wear them.

Our Mensline Australia partnership, which provides a dedicated telephone contact line for our male employees, continues to be strongly supported, with 38 per cent more calls received during 2006/07 than in the previous year. Half of the callers said their personal problems had affected their work – including absence, reduced work performance, poor concentration and lack of motivation. An internal survey showed that 92 per cent of respondents considered the service "useful" and 88 per cent said they would recommend it to workmates. The Staying Connected workshops for separated fathers received high praise from 100 per cent of participants during the year.

Our financial education program, Money for Keeps (which was launched in 2005), continued to deliver high-quality, independent information for our people and their families. Topics covered so far have included budgeting, credit and debt, savings, and an introduction to taxation. In early 2007, we released an interactive Money for Keeps CD. The CD included all program materials to date, as well as financial tools and games for the whole family. Results of a 2006 survey showed that more than 90 per cent of participating staff are now more aware of how to change their financial situation and 80 per cent said they were spending less and saving more.

In addition to the services listed, the Health Resource Centre can provide information and referrals for staff with financial difficulties or those requiring assistance with debt counselling, financial advice regarding separation or divorce, and so on.

Occupational health and safety

The incidence of work-related lost-time injuries fell by 2.6 per cent this year. The graph below shows a consistent, decade-long decline in our lost time injury frequency rate (LTIFR), with the LTIFR reaching a record low of 7.4 lost-time injuries per million work hours in 2006/07.

We continued our successful rehabilitation and return-to-work programs. We also maintained our focus on injury prevention and workplace safety through a range of initiatives, including:

- occupational health and safety auditing, including all Post Logistics sites, to ensure that our workplaces are safe for staff, contractors and visitors
- safe equipment design
- workplace safety improvements
- motorcycle rider training
- a business-wide audit of powered conveyors
- training for operational staff in the safe use of conveyors
- training for supervisors and managers in supervising for safety.

Change management

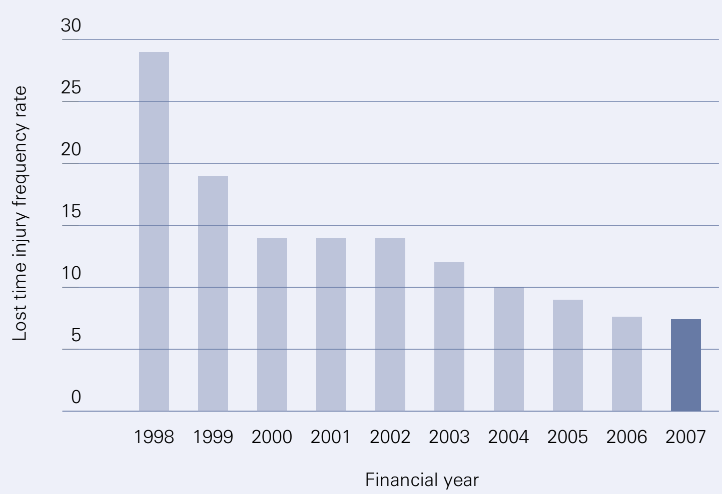
Historically, Australia Post has had great success in managing change both at a large, transformational level and at local levels. We have drawn on this success to develop a framework that is designed to create a consistent culture of change across the business. The framework – which complements our existing project management methodology – provides a flexible approach that can be tailored and applied to different change projects based on the nature of the change and the scale, scope and complexity of each project.

The Change Management Toolkit has been applied across the organisation with nine active change projects. As the toolkit is progressively being used throughout the business, we are continuing to refine its content and tools to ensure simplicity, flexibility and value.

Learning and development

Our Development Pathways learning program (which will provide structured learning opportunities for staff at all levels) is now fully functional for staff, from senior executives to first line supervisors. In 2006/07, Pathways e-learning was one of the vehicles used for introducing our national Harassment, Bullying and

Decline in lost-time injuries per million work hours



This machine at Sydney Parcel Facility in Chullora, New South Wales, sorts around 130,000 parcels **every day**.

Discrimination training. In addition to creating significant savings (over the face-to-face training) it allows our people to do the exercises at their own pace and at times that suit them.

In response to an increasing recognition of the important role of supervisors and managers in coaching and developing their teams, we have developed a Line Manager as Coach program. The program – a series of four modules covering leadership and interaction skills, coaching techniques and tools for developing others – will be implemented across the business over the next two years.

A number of Australia Post divisions also offer training and development specific to their business areas. Many of these training programs provide nationally recognised qualifications – eg Certificate IV in Transport and Distribution (Warehousing & Storage and Road Transport) or Diploma of Business – on satisfactory completion of the course.

Recognising winning performance

The Australia Post National Excellence Awards are designed to reward, celebrate and promote excellence and innovation throughout our business. As a result of a review conducted in 2006, new standards were subsequently introduced for the 2007 National Excellence Awards.

Improvements included the introduction of several new categories: Mail processing – gateway facilities; Innovative achievement (which recognises demonstrated innovations with proven results); and Innovative ideas (for creative ideas that are relevant to our business and worthy of trialling). Each staff member at the 18 winning facilities received a $200 excellence award, and staff at eight facilities each received $100 special commendation awards.

See page 24 for details about the first winner of the Innovative ideas award: Post Logistics, Wetherill Park in Sydney.

Highlights

- We presented the Australia Post Community Champion Award to 26 of our people for their volunteer work in local communities.
- We continued to support research into a variety of medical conditions, including melanoma, juvenile diabetes, Friedreich's ataxia, prostate cancer and breast cancer.
- Our people raised more than $234,000 through Be Seen in Red and Green staff fundraising events.
- In conjunction with our partner Opera Australia, we received the AbaF Qantaslink Regional Award.
- We continued to promote education and literacy by supporting National Literacy and Numeracy Week and Phiggles the Flying Scientist.
- We helped regional and rural communities with our support of the Stawell Gift athletics carnival and a drought-relief concert in Tallangatta, Victoria.

CORPORATE SUSTAINABILITY

Community

Our people play a vital role in the communities we serve, everywhere across the nation. Australia Post has a strong commitment to investing in local communities and – through a dedicated program of sponsorships and grants – we are giving back to the people who support our business every day.

Stakeholders

Various areas within Australia Post have responsibility for timely and effective communication with employee groups, unions, customers, suppliers, community groups, government representatives and the media.

Stakeholder engagement

Dedicated account managers from various areas of our business are responsible for managing stakeholder relations with our major business customers. Our account managers focus on matching our products and services to each customer's individual priorities and needs.

We also consult directly with a number of stakeholder organisations, including Australian Business and Specialist Publishers (ABSP), the Australian Direct Marketing Association (ADMA) and the Major Mail Users of Australia (MMUA) industry network.

The Postal Services Consultative Council (PSCC), chaired by a member of the board and representative of private and business customer interests, advises Australia Post on matters relating to postal services and improving communication with its customers. The council met three times in 2006/07.

Council members are: **Peter McLaughlin**, Director Australia Post (PSCC Chairman); **Brian Baulk**, former Divisional Secretary CEPU (Qld); **Bill Blair**, former Group General Manager Queensland United Foods (NSW); **Colin Brideson**, retired school principal, board member Masonic Homes (SA); **George Etrelezis**, former Managing Director Small Business Development Corporation (WA); **Allan Garcia**, Chief Executive Officer Local Government Association of Tasmania; **Tom Greene**, Managing Director Ortega Publishing (NSW); **Marie McGrath-Kerr**, Chairman Post Office Agents Association Ltd (Vic); **Gabrielle Nagle**, Health and Aged Care Consultant (Vic); **Margaret Smith AO**,

former National President Country Women's Association (NSW) and **Rob Tolmie**, former Managing Director Extrafilm (Qld).

Community consultation

As a result of changing demographics, postal outlets will, from time to time, need to close, relocate or be newly established. Where this happens, Australia Post has a formal process of consultation in place for responding to our customers' concerns. The process involves communicating the reasons for the change, consulting with local stakeholders, and gathering and analysing community feedback and addressing any concerns.

Additionally, when it is necessary to remove or relocate a red street posting box (SPB), the local Federal MP and businesses likely to use the SPB are informed of the proposal and the rationale. Other users are advised by a sign on the SPB and an advertisement in the local newspaper.

Customer contact centres

Our call centres deal with a diverse range of queries – including product recommendations and pricing, facility location, facility hours of business, product information requests, stock location, passport bookings, prohibited items, and tracking and complaints. The six customer contact centres (CCCs) also handle responses to advertising sales campaigns and take an account management role for many of our smaller business customers. In addition to the mystery shopper program launched last year, we recently introduced a customer satisfaction monitor to independently measure customer feedback on our complaints resolution process.

During 2006/07, our CCCs received around 4.2 million telephone enquiries, with customer complaints being resolved within an average of 5.4 days.

Customer research

Every year we commission independent research companies to conduct a variety of research projects so that we can understand more about customer perceptions of our image and brand. In this year's corporate image monitor, 1,500 residential customers and 2,380 business customers were randomly selected and then interviewed to measure customer satisfaction. We continued to perform extremely well in key measures, particularly the "Overall satisfaction with Australia Post" measure (see table below).

We also conduct research within the small and medium enterprise sector regarding product and service satisfaction. In our major customer monitor, in-depth interviews are conducted with some of our largest business customers. This research allows us to monitor and improve these important business relationships.

See page 20 for information about our priorityCustomer mystery shopper program.

Postal Industry Ombudsman

The Federal Government's Postal Industry Ombudsman (PIO) began operations in October 2006 specifically to investigate complaints about the postal industry. The establishment of the PIO does not represent a significant change for Australia Post, as our customers have always had the option of referring complaints to the Commonwealth Ombudsman.

In the past, we have had fewer than 20 high-level queries per year from the Commonwealth Ombudsman but some of these enquiries have helped us to address specific issues and correct inconsistencies in our services. Any feedback we receive from the PIO will be used to ensure that our customer service continues to improve.

Community support

Australia Post supports a variety of programs and events that complement our business and provide assistance to the Australian community. We place particular emphasis on supporting events and programs in regional and rural areas.

We spent more than $2.5 million on community investment programs in 2006/07, shared between the following areas:

- education and literacy
- the arts
- community groups and events
- the environment (see page 42)
- philanthropy
- health.

Education and literacy

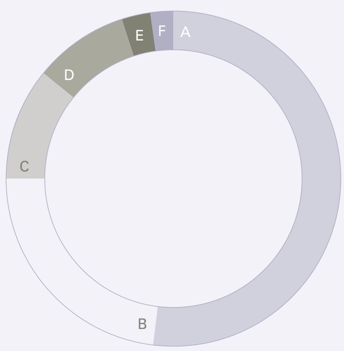
Australia Post is committed to contributing to the development of literacy, numeracy and computer literacy skills – and to promoting

Overall satisfaction with Australia Post

	2006/07	2005/06	2004/05	2003/04
Business customers	98%	97%	97%	97%
Residential customers	98%	97%	98%	97%

Corporate Image Monitor 2006/07 and 2005/06 conducted by Sweeney Research.
Previous years conducted by TNS.

Allocation of community support 2006/07



A 52% Arts
B 23% Community groups and events
C 11% Environment
D 9% Health
E 3% Education and literacy
F 2% Philanthropy / donations

paper-based communications – among young Australians.

Teachers and students all over Australia can order free educational materials on the Australia Post education website: auspost.com.au/education. This year we produced a new series of educational resources that give students from pre-school to lower secondary level an insight into Australia's postal services as well as reinforcing literacy skills.

For the past eight years, we have been a sponsor of National Literacy and Numeracy Week, which recognises the work of schools in raising literacy and numeracy standards in Australia.

We also sponsor a range of educational activities in rural and regional communities. Among these are Phiggles the Flying Scientist, which teaches practical science skills to children on remote farm stations and in Aboriginal communities, and the Books in Homes program in regional New South Wales.

More than 117,000 children wrote letters to Santa over the 2006 Christmas season in response to our popular Santa Mail program. As well as encouraging literacy in young children, this raised $11,000 for The Smith Family's Learning for Life program as we donated 10 cents for every correctly addressed letter.

The arts

Australia Post is a "Hero Partner" and sponsor of Australia's national opera company, Opera Australia, and principal sponsor of its touring company, OzOpera. In 2006/07 we marked the fourth year of those sponsorships. It was also our second year of sponsoring the Young Artists' Development Program, which gives young singers, conductors and accompanists the opportunity to spend a year training and performing with Opera Australia.

This year, OzOpera took its production of the popular opera *Carmen* to more than 17,000 people in 23 towns in regional and rural Victoria, New South Wales and South Australia. OzOpera's schools company performed *Hansel and Gretel* and *The Magic Flute* at more than 270 metropolitan and regional primary schools throughout New South Wales and Victoria, reaching audiences of more than 80,000 children.

In 2006, Australia Post and our partner Opera Australia received the Australian Business Arts Foundation (AbaF) Qantaslink Regional Award. The award recognises our commitment to taking opera to thousands of people in regional Australia.

Australia Post is also a founding member and major partner of AbaF and a financial supporter of many arts festivals and organisations, including the Western Australian Symphony Orchestra, the Queensland Performing Arts Centre and the Adelaide Festival of Arts.

National Philatelic Collection and Post Master Gallery

Australia Post maintains the National Philatelic Collection – Australia's most significant collection of philatelic heritage and artwork. It is also one of the nation's foremost design archives. The collection, which is administered under the *Archives Act 1983 (Cwlth)* and forms part of the National Archives of Australia, is exhibited at the Post Master Gallery in Melbourne and in touring exhibitions.

More than 40,000 people, including over 800 secondary and tertiary visual arts and design students, visited Post Master Gallery exhibitions during 2006/07. The gallery also hosted more than 500 students from 33 schools. The gallery staged four exhibitions in 2006/07, and two other exhibitions – *A Summer of Cricket* and *Produce Food!* – were shown at the Bradman

The remote township of Morundah, New South Wales – population 15 – was transformed when OzOpera performed *Carmen* as part of a regional tour sponsored by Australia Post. The 1,500-strong audience came from Adelaide, Sydney, Melbourne … **everywhere**!

Museum (Bowral, NSW) and the Broken Hill Regional Art Gallery (NSW) respectively.

A further exhibition, *The Queen's Stamps*, was displayed at Australia Post headquarters and a leather-bound stamp album was prepared for presentation to Her Majesty The Queen. The album contained every Australian stamp depicting the Queen since her wedding in 1947 and was presented to Her Majesty by the Governor-General of Australia, His Excellency Major General Michael Jeffery.

Health

We have supported the Australia Post Medical Research Fellowship through the Royal Australasian College of Physicians since 1998. This fellowship provides continued support for melanoma research. We also continued to sponsor research into a number of medical conditions, including juvenile diabetes, Friedreich's ataxia, prostate cancer and breast cancer.

Philanthropy

For the past six years, Australia Post has run Be Seen in Red and Green, a one-day fundraising event which represents the culmination of staff fundraising activities for the year. Started in Queensland in 2000, it became a national event in 2005. This year's proceeds – just over $234,000 – were distributed among a number of charities, including the Royal Flying Doctor Service, Camp Quality, The Cancer Council and the RSPCA.

A donation of $24,000 – the profit we made from sending international mail bags for recycling – has been given to charity. (See page 41 for more about this program.)

Community groups and events

The 2006/07 financial year marked our thirteenth year of sponsoring the Australia Post Stawell Gift athletic carnival. Our support of this iconic sporting event is all the more relevant for a rural community devastated by bushfires in early 2006.

We received much positive feedback about our regional and rural post offices from people involved in the bushfires of late 2006 and early 2007.

A number of our people worked as volunteer fire fighters and many of our postal outlets served as information hubs for their communities in a time of great anxiety and loss.

We also raised spirits in the Tallangatta (Vic) community by sponsoring the Drought Breaker Concert in January 2007. The concert fostered a new sense of community spirit for farmers and their families who have been hard hit by the drought.

This year, we continued to sponsor ourcommunity.com.au, which provides resources, training, advice and fundraising tools for Australia's 700,000 community groups and schools.

We also supported a wide range of youth sporting programs, including Australia Post Junior Boomers Clinics at primary schools around the country. (See Commercial sponsorships, this page, for more details about support of the Boomers basketball team.)

Our people in the community

Launched in 2005, the Australia Post Community Champion Award recognises the voluntary work undertaken by our staff, contractors and licensees in their local communities. Winners of the award receive a $100 gift voucher for their use and a $1,000 cheque to donate to their chosen charity or community organisation.

In 2006/07 we presented the award to 26 of our people. They represented a wide variety of volunteer organisations, including rural fire brigades, ambulance and state emergency services, junior sporting groups, wildlife rescue organisations, Australians for Cambodian Education and the Bionic Ear Institute.

Commercial sponsorships

In July 2006, we signed a three-year sponsorship agreement with the Australian men's basketball team, who are now known as the Australia Post Boomers. The sponsorship is designed to support the team in the lead-up to the 2008 Beijing Olympics as well as to encourage young children to play an accessible and popular sport.

We also sponsored the Australian Open Tennis Championships for the fifth consecutive year.

In May, with the Beijing Olympics just over a year away, we announced our fourth sponsorship of the Australian Olympic team and appointed champion swimmer Jessicah Schipper as our Olympic Ambassador. We chose Jessicah because we believe that her personal qualities – reliability, efficiency, tenacity and trustworthiness – reflect those of Australia Post.

We continued our sponsorship of the National Australia Day Council's luncheons in 2006/07 and presented the Australia Post Australian Legends Award to six influential racing identities. (The identities are shown on stamps on the inside back cover of this report.) The award celebrates the life's work of individuals who have contributed to Australia's culture and heritage. To celebrate the tenth anniversary of the award, a special function was held at Government House in Sydney. Guests at the gathering included 20 previous recipients of the award, with another eight being represented by family members.

Human rights

Australia Post observes all conventions ratified by the Commonwealth Government. We believe that people everywhere should be treated fairly and with dignity and respect. The conventions and covenants made under the United Nations Universal Declaration of Human Rights are of particular relevance to sustainability – including those relating to civil and political rights; economic, social and cultural rights; elimination of all forms of discrimination; and the rights of the child.

Highlights

- We took delivery of Australia's first diesel–electric hybrid trucks.
- We trialled a variety of other environmentally sustainable fuels.
- In partnership with Landcare Australia, we helped to create more sustainable communities by providing 49 community development grants and 84 grants to schools and youth groups.
- Through our involvement with Planet Ark, we collected more than 8 million Christmas cards and 132 tonnes of printer cartridges.
- We joined Paper Round to encourage recycling and responsible use of paper products.

CORPORATE SUSTAINABILITY

Environment

Everywhere that we operate our business, we are promoting sustainable approaches to managing the environment and responsible use of natural resources.

Environmental management

Australia Post recognises the threat of climate change and is therefore committed to continually improving energy efficiency and reducing greenhouse gas emissions associated with our operations.

We adopt the most stringent federal and state legislation as our minimum environmental standards and we also conduct regular internal and independent environmental audits to support our risk-based environmental management program.

Transport

Some of our most significant environmental projects this year have been in our transport fleet. We took delivery of Australia's first two diesel–electric hybrid trucks (see page 42), which are expected to reduce fuel consumption by around 30 per cent and emissions by between 50 and 95 per cent. We have ordered 28 new trucks that comply with Euro 4 (petrol) emission standards and they are due for delivery early in the new financial year. This means we will be one of the first corporations to use Euro 4 technology (which significantly reduces emissions such as particulates, nitrogen oxides and carbon dioxide) before its mandatory adoption in 2008.

We are also currently evaluating or trialling:

- two different types of LPG technology in our prime mover fleet, which are expected to deliver reductions of between 10 and 25 per cent in emissions and fuel consumption
- a performance-based standards high-volume rigid truck. This vehicle has the potential to increase the payload of our existing fleet by up to 40 per cent, with similar fuel consumption to our existing lower capacity trucks.

As well as trialling new technology, and continually upgrading our fleet to the latest environmentally efficient technology, we adopt a rigorous maintenance program to ensure that our fleet is continually operating at peak efficiency.

Fuel storage and management

As mentioned in last year's annual report, our refuelling facilities and underground fuel storage tanks pose our greatest environmental risk. We have now completed the $2.5 million fuel storage and management project that we began in early 2005, and all of our fuel and generator storage tanks now meet or exceed Australian Environmental Standards.

During the course of the project, minor levels of soil contamination were discovered at three locations. These sites have now been decontaminated or, where that was not possible, we have established controls to ensure that the contamination is appropriately managed. Below-ground tanks at 19 facilities were replaced with above-ground double-skin tanks wherever possible and modern swipe-card technology at all sites will measure and manage fuel consumption as well as providing early warning of potential leakage. Independent auditing of fuel movements (by an EPA-nominated auditor) has also been conducted.

Energy management

In 2006/07, we completed the first year of our three-year energy management program. Initiatives under the program included power factor correction, installing lighting controls and lighting low voltage reduction units, and replacing inefficient lighting and old wiring at numerous sites around the country.

These changes, while relatively minor, have provided significant benefits when applied across our many facilities. Early figures show savings of 526,000 kilowatt hours over the first four months of implementation, which equates to expected savings of around 1.5 million kilowatt hours of electricity over a full year.

The *Energy Efficiency Opportunities Act 2006 (Cwlth)*, which took effect on 1 July 2006, requires major energy-using businesses to assess their energy practices and to identify opportunities for introducing energy efficiency improvements. Participation is mandatory for businesses using more than half a petajoule (the equivalent of 56 million kilowatt hours) of energy per year. We have now registered and have begun planning a national energy efficiency program, which will include the remaining energy initiatives that were to be implemented under our three-year energy management program.

Around 80 of our facilities will be assessed and we are developing an assessment strategy that will assist in identifying energy efficiency opportunities at those sites. We expect to complete most of the assessment in the 2007/08 financial year and are confident that the resulting changes will make a sizeable impact on our current energy usage levels.

Greenhouse Challenge

Australia Post has been a member of the Greenhouse Challenge program for 10 years and we consider this an important milestone in our commitment to reducing greenhouse gas emissions. Since 1997, we have generated savings of 286,758 tonnes of CO_2 equivalent, progress that is shown in the table below.

Our environmental performance

	Measure	2002/03	2003/04	2004/05	2005/06	2006/07
Energy consumption						
Electricity	Kilowatt hours	205,885,783	211,785,126	208,695,339	215,948,904	228,083,149
Natural gas	Gigajoules	93,701	104,326	110,798	106,192	114,304
Petrol	Litres	5,967,437	5,968,291	5,952,084	6,102,454	6,197,071
Diesel	Litres	22,363,964	22,450,316	24,463,576	25,325,034	25,379,346
Greenhouse gas emissions						
Annual greenhouse gas emissions	Tonnes CO_2 equivalent	355,179	345,812	349,492	361,791	377,589
Tonnes of CO_2 equivalent per $1m revenue	Tonnes CO_2 equivalent	96	89	84	83	83
Emissions savings	Tonnes CO_2 equivalent	29,042	33,451	44,144	49,061	61,066
Waste generation						
Non-recycled waste	Tonnes	N/A	17,519	17,838	19,689	18,213
Recycled waste (cardboard and paper)	Tonnes	12,164	2,488	4,766	4,018	5,240
Packaging impacts						
Average recycled content of total weight of packaging materials	% (average)	N/A	N/A	30	37	28.4
Average recyclability of total weight of packaging materials	% (average)	N/A	N/A	70	80	91.3
Community initiatives						
Cards 4 Planet Ark	Tonnes	65	81	61	79	98
Cartridges 4 Planet Ark	Tonnes	N/A	27	86	106	121

As a result of a new approach to collecting waste and energy data in 2006/07, we have been able to access more accurate figures and have therefore amended last year's figures to ensure more meaningful comparisons.

Our total greenhouse gas emissions for 2006/07 were 377,589 tonnes of CO_2 equivalent. Emissions did increase, due to growth in our core products and services but – as the graph below shows – our emissions per million dollars of revenue earned remained stable.

Environmental education

One of the key areas of our commitment to ecologically sustainable development has been to raise awareness about sustainability among our staff, licensees and contractors. This year, we produced the first two editions of an environmental education newsletter, *Footprint*, to give our people an understanding of sustainability at the operational level.

Footprint focuses on providing information about the importance of sustainable practices, together with useful tips and ideas that can help our people make a real difference – both at home and in the workplace.

The first issues of *Footprint* dealt with saving energy and water. Future editions will cover our products and services, resources and waste management, our people and our community.

Impact of products and services

Australia Post has been a member of the National Packaging Covenant since 2002. In 2006/07, we completed a series of packaging and waste audits across our Post Logistics facilities to assess the standard of our packaging practices and those of our suppliers.

The review has identified a number of opportunities for improvement, all of which will be investigated to determine whether they offer value to our customers, the environment and Australia Post. A number of good packaging practices were also highlighted in the review, including the re-use of cardboard boxes for outgoing deliveries at our major Post Logistics facilities.

In 2006/07, we joined Paper Round – an organisation established by key members of the office paper and print business to address concerns about the quantity of office paper from commerce and industry that is not being recovered or recycled. Through our membership, we will support the development of improved recovery, recycling and alternative-use technologies and promote the responsible use of paper as a communication medium.

During the year we also completed a detailed review of our labelling practices, identifying a number of products that were incorrectly labelled against the Australian/New Zealand ISO 14021 standard – including a range of products with recycled content that were not labelled as recycled.

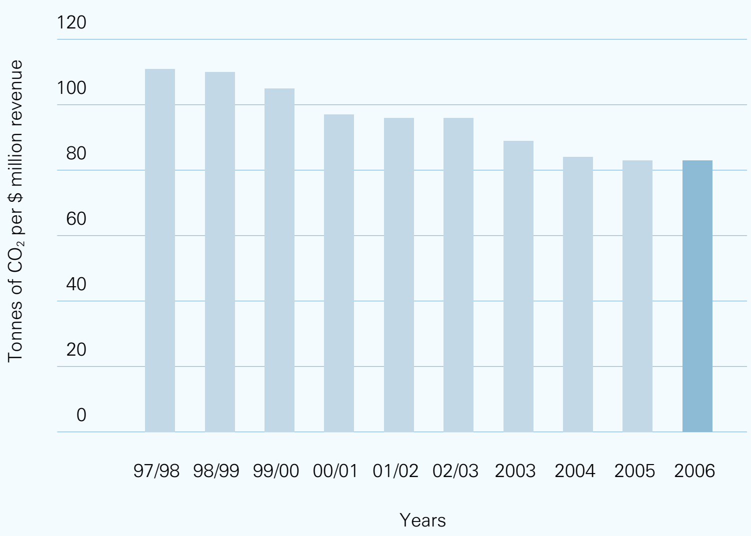
Another major achievement was the development of the Australia Post Environmental Code of Practice for Packaging (ECOPP). To support its implementation by product managers and suppliers, we are developing an ECOPP compliance checklist for all new products and for changes to existing products.

The recycled content of our packaging materials is now 28.4 per cent across our range of products. The recyclability of the total weight of packaging materials has also increased and is now 91.3 per cent across the range. These figures are for products specific to Australia Post (such as the Postpak range) as well as Australia Post branded products (such as computer peripherals).

Unfortunately, the recycled content of our padded bags has reduced since last year as the manufacturer has been unable to obtain supplies of the recycled material previously used in this product. Virgin material has been substituted as an interim measure.

Our recycling project for plastic mail bags from overseas is now in its third year. The bags are now being baled (before recycling) in Sydney as well as Melbourne and we are adding our own plastic-based mail bags to the program to prevent them going to landfill. Money raised during the year from selling the bags for recycling was again donated to charity (see page 38).

Reduction of greenhouse gas emissions per $ million revenue



Note: The reporting period for Greenhouse Challenge data changed in 2003: figures from 2003 onwards refer to calendar years.

Our combined transport fleet travels around 474,000 kilometres **every day**. We're taking measures to reduce fuel consumption and emissions, including trialling two diesel–electric hybrid trucks.

Community environment programs

In 2006/07, we continued our partnership with Landcare Australia. Through the Australia Post / Landcare Community Development program we provided 49 grants (valued at $3,300 each) and 84 grants of $550 each to schools and youth groups through the Australia Post / Landcare Junior Biodiversity grants. The grants directly fund community projects, help buy tools and equipment, or are used to raise awareness and encourage more community members to get involved. Some of the environmental initiatives funded by the grants include the management of soils, erosion, grazing, weeds, water quality and providing habitats for native animals.

Our alliance with environmental group Planet Ark saw its most successful year to date in 2006/07. We collected more than 8.6 million Christmas cards and 132.35 tonnes of used printer cartridges for recycling. (See page 46. See also the table on page 40 for a comparison with the previous year's figures.) The collection programs have contributed to growing community awareness about environmental issues as well as diverting considerable amounts of waste from landfill.

Threatened wildlife stamps

With the aim of raising awareness of endangered species, in June 2007 we released the Threatened Wildlife stamp series featuring the Grey-headed Flying-fox, the Mountain Pygmy-possum, the Flatback Turtle and the Wandering Albatross. Each of these species is classified as either endangered or vulnerable under the *Environment Protection and Biodiversity Conservation Act 1999 (Cwlth)* (EPBC Act). The stamps show the animals in their natural environment, with the main threat to each creature's existence in the background. (See inside back cover.)

Heritage management

Australia Post's Corporate Real Estate Group (CRE) is responsible for managing our real estate portfolio, which covers 519 owned and 761 leased properties. We own 18 historic buildings that are recorded on the Commonwealth Heritage List, with a further 104 subject to heritage controls under local or state planning authorities.

The Perth GPO is one such heritage property and our board has approved a $25 million redevelopment project that will see it restored to its former glory. On completion in 2008, the building is expected to achieve an A-Grade environmental standard with a 4.5-star Australian Building Greenhouse rating and 4-star Greenstar rating. Major features will be a chilled-beam air conditioning system and an upgrade of the central atrium to provide natural light through a glass roof. CRE developed the plans in line with our corporate heritage strategy under the EPBC Act.

Highlights

- We provided direct employment for 34,732 people and indirect employment for tens of thousands more – our contractors, and our licensees and their employees.
- We paid $474.9 million in local, state and Commonwealth rates and taxes.
- We paid our shareholder, the Commonwealth Government, a dividend of $279.4 million.
- We contributed $2.36 billion to the Australian economy by paying for goods and services ($2.08 billion), and capital assets and business acquisitions ($283.7 million).
- We provided electronic banking facilities at 3,291 retail outlets, including 1,467 in rural and remote areas.

CORPORATE SUSTAINABILITY

Economy

As one of the country's largest employers, Australia Post provides direct employment for more than 34,000 Australians. While we are a large corporation, our retail and delivery operations consist of many small businesses that contribute to local economies by creating jobs, buying goods and services, and stimulating further business activity. And we further contribute to local, state and federal economies through the rates and taxes we pay.

Shareholder relations and value

In our relationship with our shareholder, the Commonwealth Government, Australia Post – as a wholly owned government business enterprise – is governed by the requirements of the *Australian Postal Corporation Act 1989* and the *Commonwealth Authorities and Companies Act 1997*.

Shareholder responsibilities are jointly assigned to the Minister for Communications, Information Technology and the Arts, and the Minister for Finance and Administration.

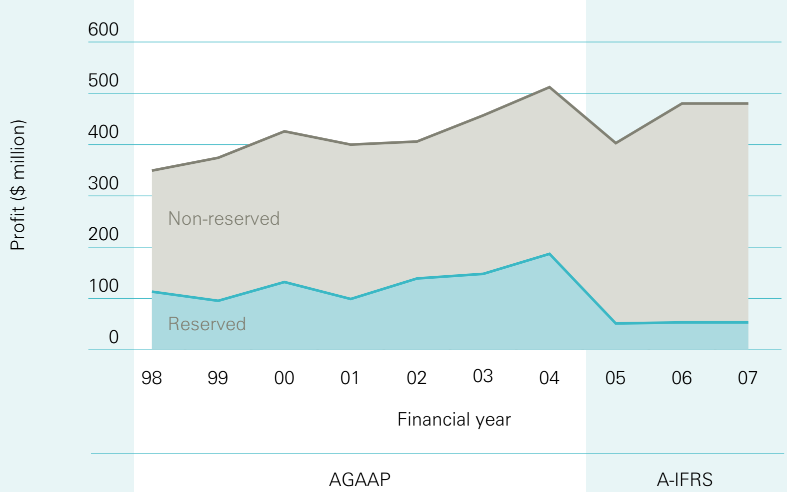
Each year we provide our shareholder with a corporate plan, which sets out our key strategies and targets for the next three years. Our shareholder may call for changes to the financial targets or community service obligation strategies within 60 days of receipt of the plan. Progress against the plan is subject to formal quarterly reporting and subsequent review with the relevant shareholder departments.

We also continuously disclose to our shareholder any matters relating to the proposed formation of a company, trust or joint venture, as well as any proposals for significant acquisitions or divestments.

Dividend recommendations are made to our shareholder ministers twice each year: in February (interim) and August (final). Consistent with normal commercial practice, our target dividend ratio is 75 per cent of corporation after-tax profits. Dividends payable from the 2006/07 result will be $296.9 million.

We deliver to more than 10 million addresses, **everywhere** in Australia.

Profit from reserved and non-reserved services ($ million)



Note: Profit before interest, income from joint ventures and tax.

Return on investment

All of our return-on-investment results were positive in 2006/07.

Revenue per dollar of fixed assets fell slightly from 3.1 to 3.0. Capital investment (including business acquisitions) of $283.7 million exceeded the annual depreciation charge of $174.3 million.

Profit after tax increased by 8.92 per cent to $400.7 million ($367.9 million last year).

Return on average operating assets was 19.6 per cent, well above the comparable weighted average cost of capital of 9.5 per cent.

Sustainability in commercial decisions

It is Australia Post policy that all business cases involving an outlay of more than $250,000 must include (in addition to the financial appraisal) an assessment of environmental, social, economic and risk effects. All such business cases must also be endorsed by members of the Ecologically Sustainable Development Working Party and the Risk Management Unit.

Our procurement policy also features sustainability in general purchasing practices. The policy includes extensive guidelines on probity, open and effective competition, environmental considerations and ethics and fair dealing.

Protecting our assets

Protecting our assets – including cash, long-term fixed assets, intellectual property and the Australia Post brand – is crucial for the sustainability and growth of our business.

Revenue protection in all three business portfolios is supported by a formal program overseen by the Revenue Collection Steering Committee and managed by the Revenue Collection Group.

Asset recording processes and annual stocktakes are carried out at each work centre to protect our fixed assets. The management of stock, cash and related items in our retail outlets is the responsibility of postal managers and is carried out in accordance with the Financial Integrity Control system. In addition to normal reconciliation processes, regular stock checks are undertaken to protect the business from high-risk losses.

Our Corporate Security Group conducts regular security risk assessments at all of our retail outlets and we provide a variety of security measures, based on the needs of individual offices. These include closed-circuit TV, time-delay locks on safes and (in special circumstances) security guards or mobile security patrols.

Cash management plans for all of our outlets are designed to keep minimal cash holdings at our counters and on our premises, making us a poor target for robberies. As a result of these measures, while the wider community has seen an increase in violent crime over the past 10 years, robberies at Australia Post outlets have reduced by almost two-thirds over the same period. (See page 51 for more about Australia Post's Corporate Security Group.)

Intellectual property is protected by a formal policy administered by the Legal Services Unit and the integrity of the Australia Post brand is protected by a brand management system, overseen by Post's Corporate Public Affairs department. In February 2007, we launched our "Part of every day" brand advertising campaign to reinforce our brand identity with the Australian public. (See inside front cover.)

Competing fairly and vigorously

Australia Post has the exclusive right to deliver letters weighing less than 250 grams, unless – as specified under the *Australian Postal Corporation Act 1989* – the letters are carried for a fee of at least four times the basic postage rate. However, most of our business revenue and the bulk of our profit comes from the other goods and services that we offer – and they are sold in fully competitive markets. (See page 119 and the graph on page 44 for a comparison of profit from our reserved and non-reserved services.)

Each year, the Australian Competition and Consumer Commission (ACCC) issues a report assessing cross-subsidy in Australia Post. The ACCC was given this role in response to complaints that we could be cross-subsidising our competitive services with revenue from our reserved services.

In March 2007, the ACCC issued its second cross-subsidy monitoring report, which determined conclusively that "the regulatory accounts do not provide evidence of cross-subsidy from Australia Post's reserved services to the non-reserved services".

For more information about trade practices compliance, see page 51.

Our credit rating

Independent ratings agency Standard & Poors conducts an annual review of Australia Post's financial results and outlook to establish our credit rating. We continue to hold the AAA rating that we achieved when we were first rated in 1994.

Contribution to economic development – finances

	2005/06	2006/07
Revenue	**$4,530.1m**	**$4,711.1m**
Australian	$4,385.8m	$4,561.0m
Export	$144.3m	$150.1m
Payments		
To employees	$1,972.7m	$1,978.0m
To goods and services suppliers	$1,937.4m	$2,078.1m
For capital assets and business acquisitions	$238.5m	$283.7m
Taxes and rates paid	**$514.1m**	**$474.9m**
Commonwealth government	$392.9m	$356.3m
State and local government	$121.2m	$118.6m
Cost of community service obligations	**$87.8m**	**$97.3m**
New services and products introduced in last two years	**$178.8m**	**$185.6m**
Access to bill payments and financial services		
Number of billing principals	681	722
Number of banks / financial institutions	76	77
Basic postage rate (ranking in OECD)	**3rd lowest**	**3rd lowest**
Revenue foregone through letter price restraint (compared with CPI)		
Last 10 years	$2,585m	$2,672m
Last 5 years	$507m	$822m
Shareholder value		
Profit after tax	$367.9m	$400.7m
Dividends declared	$267.3m	$296.9m

Contribution to economic development – people

	2005/06	2006/07
Direct employment	**34,842**	**34,732**
Full-time employees	25,387	25,026
Part-time employees	9,196	9,498
Agency staff	771	744
Other employment	259	208
Labour productivity growth	**3.7%**	**3.2%**
Small businesses directly supported	**7,245**	**7,127**
Licensed and franchised post offices	2,975	2,969
Metropolitan	1,277	1,283
Rural and remote areas	1,698	1,686
Mail contractors	3,586	3,524
Metropolitan	719	723
Rural and remote areas	2,867	2,801
Community postal agencies	630	634
Metropolitan	35	35
Rural and remote areas	595	599
Delivery points (at 30 June 2007)	**10.0m**	**10.3m**
Outlets with online banking facilities	**3,188**	**3,291**
Metropolitan	1,797	1,824
Rural and remote areas	1,391	1,467

Creating a cleaner environment through a strategic partnership

It's not a pretty picture. And the problem is not just about looks: these printer cartridges are made up of a variety of plastics, toners, inks and metals – many of which could harm the environment if they were dumped in landfill.

Australia Post – in association with Planet Ark – has been collecting used printer, fax and copier cartridges since 2003. More than 1,700 of our retail outlets around Australia provide Cartridges 4 Planet Ark collection boxes, where our customers can deposit their used cartridges, so the components can be broken down for recycling and resource recovery. We send the cartridges to Close the Loop® (in Melbourne), the only company in the world capable of recycling cartridges so that zero waste goes to landfill.

In 2006/07, we collected 132.35 tonnes of cartridges: that's equivalent to the weight of 22 adult African elephants.

Corporate governance

General

Australia Post maintains a comprehensive system of corporate governance practices designed to achieve appropriate levels of disclosure and accountability.

Deriving principally from the provisions of the *Australian Postal Corporation Act 1989* (APC Act), the *Commonwealth Authorities and Companies Act 1997* (CAC Act) and the Governance Arrangements for Commonwealth Government Business Enterprises (1997), these practices are also guided by the ASX Corporate Governance Council's principles of good corporate governance and associated recommendations.

A dedicated corporate governance section on the Australia Post website (auspost.com.au) provides a detailed description of the corporation's governance framework and associated practices, with hyperlinks to key documents.

Shareholder ministers

The Minister for Communications, Information Technology and the Arts, Senator the Hon. Helen Coonan, has portfolio responsibility for Australia Post. Under a dual shareholder model, overall responsibility for the enterprise is exercised jointly with Senator the Hon. Nick Minchin, Minister for Finance and Administration.

The board

The board of Australia Post comprises up to nine directors. With the exception of the managing director, all serve in a non-executive capacity.

Non-executive directors are appointed by the Governor-General on the nomination of the portfolio minister. Appointments can be for up to five years and re-appointment is permissible. Current practice is for terms of appointment to be generally of three years' duration.

Before nominating a person for appointment, the minister is required to consider the balance of expertise on the board and also to consult with the chairman.

The managing director is appointed by the board.

Board membership during 2006/07 was:

- David Mortimer (Chairman from 12 September 2006, previously Deputy Chairman)
- Linda Nicholls (Chairman to 11 September 2006)
- Mark Birrell (Deputy Chairman from 1 March 2007, previously Director)
- Graeme John (Managing Director)
- Margaret Gibson
- Peter McLaughlin
- Sandra McPhee
- Tom Phillips
- Ian Warner.

Profiles of each director and details of their skills, experience and expertise are provided on pages 52 to 53 of this report.

Role of the board

Under section 28 of the APC Act, the role of the board is:

- to decide the objectives, strategies and policies to be followed by Australia Post
- to ensure that Australia Post performs its functions in a manner that is proper, efficient and – as far as practicable – consistent with commercial practice.

Directors set the corporation's key objectives and strategies through a rolling three-year corporate plan, which is submitted annually to shareholder ministers. Progress against the plan is reported quarterly. Ministers and their departments are also kept informed on an ongoing basis about developments of significance.

Board committees

Separate Audit & Risk and Human Resources committees assist the board in the discharge of its responsibilities.

Audit & Risk Committee

The Audit & Risk Committee provides a forum for regular communication between the board and the corporation's auditors, both external and internal. The committee consists entirely of non-executive directors. Its membership during 2006/07 was:

- Margaret Gibson (Chairman from 21 March 2007)
- David Mortimer (Chairman to 20 March 2007)
- Sandra McPhee
- Ian Warner (from 21 March 2007).

The committee charter, which is reviewed annually by the board, is accessible in the corporate governance section of the Australia Post website (auspost.com.au).

The committee meets five times a year, focusing in particular on the areas of financial reporting, risk management and internal controls. Among other things, it is responsible for reviewing:

- annual financial statements before consideration and adoption by the board
- clarity and quality of the corporation's financial policies, practices and disclosures
- internal and external auditor plans, reports and performance
- significant existing and emerging risks and mitigation activities
- the adequacy and effectiveness of internal controls
- compliance with laws and regulations.

Audit & Risk Committee meetings are attended by the external and internal auditors as well as by the managing director, chief finance officer and group financial controller. Before each meeting the committee holds separate private session discussions with the external auditors, the internal auditor and the chief finance officer. Similar discussions are also held annually with both the internal legal counsel and group manager security.

All directors receive copies of committee meeting papers and minutes, and non-committee members have the right to attend meetings as observers.

Meeting attendance details for 2006/07 are provided in the table on page 51.

Human Resources Committee

Incorporating the functions of both a nomination and remuneration committee, the Human Resources Committee addresses major policy, structural and remuneration issues, including:

- recruitment, selection and succession planning
- executive remuneration
- culture and ethics
- learning and development
- terms and conditions of employment
- organisational structure.

Members of the committee during 2006/07 were:

- Mark Birrell (Chairman)
- Linda Nicholls (to 11 September 2006)
- Graeme John
- Peter McLaughlin
- Tom Phillips (from 21 March 2007).

The committee charter can be accessed in the corporate governance section of the Australia Post website (auspost.com.au).

Meeting attendance details for 2006/07 are provided in the table on page 51.

Board performance

An externally facilitated board performance appraisal was undertaken during the year, focusing on board, board committee and individual director effectiveness.

Director induction and education

A comprehensive induction program provides newly appointed directors with an understanding of their role and responsibilities, and exposes them to key features of the business, including its operations, policies and strategies. Additional supplements are tailored to meet particular needs or interests. Ongoing director education is provided by way of visits to facilities and presentations on matters of current interest.

Independent professional advice

Directors have the right, with the prior agreement of the chairman, to obtain at the corporation's expense relevant independent professional advice in connection with the discharge of their responsibilities.

Conflict of interest

Directors who may have a material personal interest in a matter to be considered by the board or a board committee are required to make the nature of that interest known and must not be present while the matter is being considered. Details

Our 15,606 Australia Post street posting boxes are a familiar sight **everywhere** across the nation.

of such disclosures are recorded in the minutes of the meeting.

Where an issue to be considered by the board or a board committee is thought to present a director with a potential conflict of interest, that director will not be provided with the related material in the first instance.

Code of ethics

Australia Post seeks to conduct its business with integrity, honesty and fairness and in compliance with all relevant laws, regulations, codes and corporate standards. A board-approved code of ethics clearly sets out the ethical standards that are expected of directors, employees, licensees and contractors in their dealings with customers, suppliers, the corporation and each other.

Any action or omission that contravenes the code of ethics constitutes misconduct and is subject to counselling or disciplinary action appropriate to the circumstances and seriousness of the behaviour. Disciplinary action may include dismissal.

Australia Post's whistleblower policy encourages the confidential disclosure of serious breaches of the code of ethics, particularly where criminal activity may be involved. An independently operated contact service is in place for the lodgement of any such whistleblower complaints.

A senior management Ethics Committee oversees the application of the code of ethics across the organisation.

Director remuneration

Remuneration levels for Australia Post's non-executive directors are determined by the Commonwealth Remuneration Tribunal. For 2006/07 these were as follows:

- Chairman
  $141,320
- Deputy Chairman
  $78,830
- Directors
  $70,670
- Audit Committee Chairman
  $16,320
- Audit Committee Member
  $8,160.

Details of individual amounts received in 2006/07 by each non-executive director are provided in Note 27 to the financial statements (page 99).

Remuneration levels for holders of part-time public offices (including Australia Post non-executive directors) were increased by the Remuneration Tribunal by 4.2 per cent, with effect from 1 July 2007.

Executive remuneration

The Board Human Resources Committee is responsible for reviewing and recommending to the board the remuneration arrangements for the managing director.

In undertaking this role, the committee has adopted a set of principles approved by the Remuneration Tribunal that are designed to link the level of remuneration with the financial and operational performance of the corporation.

Remuneration arrangements for other senior executives are reviewed and determined by the managing director.

Advice is sought annually from independent specialised remuneration consultants on:

- the structure of remuneration packages applying in the external market
- the quantum of increases that have occured in other comparable Australian corporations over the previous 12 months.

On the basis of this advice, the managing director ensures that

payments to senior executives are in line with market practice and are competitively placed to attract and retain the necessary talent for the work required by these roles.

Incentive rewards for the managing director and other senior executives for meeting or exceeding specific key annual business objectives are linked to the annual business planning process at corporate and individual levels. Measures and targeted achievement levels are reviewed each year to reflect changes in business priorities for the forthcoming year. The measures include financial targets, customer satisfaction, employee engagement and other individual measures that support the key business objectives. Before a reward is payable, a threshold must be reached, according to pre-defined measures.

The managing director and other senior executives are employed under individual contracts of employment that are not limited to a specific duration. Continuation of employment is subject to ongoing satisfactory performance. Where Australia Post terminates the managing director's or other senior executive's employment for reasons other than performance or misconduct, they are entitled to:

- in the case of the managing director, 60 days' payment in lieu of notice and a termination payment of 1.5 times annual base salary
- for other senior executives, 90 days' payment in lieu of notice and a termination payment calculated on four weeks for each of the first five years of employment and three weeks for every year thereafter to a maximum of 84 weeks, including the payment in lieu of notice.

All of the above payments are based on annual base salary.

Remuneration details for the managing director and other key executives are provided in Note 27 to the financial statements (page 99).

External audit

Under section 8 of the CAC Act, the Auditor-General inspects and audits the accounts and records of the corporation's financial transactions and assets, reporting to the board, the minister and parliament. The Auditor-General also audits and reports on compliance with the performance standards prescribed for Australia Post under section 28C of the APC Act. Ernst & Young has been retained by the Australian National Audit Office to assist in both of these assignments.

The board has in place a comprehensive set of audit independence principles in relation to the external auditors. Among other things, these principles exclude the engagement of the external auditors for the provision of certain non-statutory audit-related services such as internal auditing, taxation planning, treasury policy and operations, and business and strategic planning. In addition, the senior audit partner on the corporation's account is to be rotated at least every five years.

Internal audit

Australia Post's internal audit service brings a systematic and disciplined approach to risk management, control and governance processes. Empowered by the board to direct a wide-ranging program of internal auditing, it has full and unrestricted access to all functions, property, personnel records, accounts, files and other documentation.

The internal audit work program is subject to annual endorsement by the Audit & Risk Committee, with the results, progress and performance regularly reviewed by both the committee and the external auditors.

The internal auditor also meets privately with the committee before each meeting, without other management present.

Risk management

The board oversees a comprehensive risk management policy framework covering all significant business risks and strategic considerations. The underpinning processes – which seek to identify, analyse, assess and treat these risks – are consistent with the principles of the relevant Standard (AS/NZS 4360).

As part of the risk management framework, all business units provide a presentation annually to an internal Risk Management Unit on their existing and emerging risks, associated mitigation strategies and progress against their implementation. The status of higher-rated risks is reported to the board Audit & Risk Committee each quarter.

Risk identification, measurement and mitigation strategies are included in all business-related proposals considered by the board. There are also a number of programs in place to manage risk in specific areas – such as fraud, the environment, injury prevention and management, legislative compliance, fire-safety and emergency procedures, and business continuity planning.

The potentially adverse financial impacts associated with catastrophic risk exposures are limited by the purchase of appropriate insurance cover.

The ongoing effectiveness of the corporation's risk management framework is reviewed annually by the board. To ensure the maintenance of best practice, independent external reviews of risk management across the corporation are commissioned every four years.

Internal control framework

Australia Post's internal control framework is consistent with the model defined by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission, with strategic, financial, operational and compliance elements established across multiple internal control layers. Controls include financial planning and reporting, capital expenditure appraisal procedures, authority delegation, due diligence, procurement contract tendering, expenditure gating, external performance reporting and corporation-wide risk management practices. Financial reporting and business system integrity are assured through the maintenance of extensive operating procedure policies and practices.

Before adopting the annual financial statements, the board receives written confirmation from the managing director and the chief finance officer that the integrity of the statements is founded on a sound system of risk management and internal compliance and control.

Treasury

A comprehensive and prudent treasury policy is in place to manage liquidity, interest rate, foreign exchange and fuel price risk. Reviewed by the board at least annually, the policy provides for the use of hedging instruments to protect the corporation against adverse movements in interest rates and minimise the impact of volatility in foreign exchange rate and oil price movements. The aim is to ensure reasonable certainty against budget estimates and in the cost of imported capital equipment and other supplies.

Established treasury procedures incorporate risk control principles of segregation of duties, dual control access and independent reconciliations. A Treasury Risk Management Committee determines appropriate hedging strategies within policy parameters. Treasury activities are reported quarterly to the board and are subject to annual review by auditors.

Corporate security

The Corporate Security Group has responsibility for ensuring the integrity of the mail and the safety of Australia Post's personnel and other assets. This specialist group maintains close internal working relationships with the legal, risk and audit areas, as well as externally with international, national, state and territory law enforcement services and agencies. (See also page 44.)

Trade practices

To facilitate compliance with the relevant legislation, Australia Post has a dedicated trade practices compliance officer responsible for a national trade practices compliance program. In addition to undertaking comprehensive biennial trade practices training, the corporation has in place a detailed formal clearance process for all promotional and advertising material.

Privacy

The corporation also has a full-time chief privacy officer responsible for the maintenance of a national privacy compliance program. Detailed policies, processes and procedures are in place to safeguard customers' personal information and to foster a corporate culture that values privacy.

Directors' attendance at meetings 2006/07

	Board		Audit & Risk Committee		Human Resources Committee	
	(a)	(b)	(a)	(b)	(a)	(b)
David Mortimer	10	10	5	5		
Linda Nicholls	2	2			1	0
Mark Birrell	10	10			4	4
Graeme John	10	8			4	3
Margaret Gibson	10	10	5	5		
Peter McLaughlin	10	10			4	4
Sandra McPhee	10	10	5	5		
Tom Phillips	10	9			1	1
Ian Warner	10	10	2	1		

(a) Number of meetings held while a director/committee member.
(b) Number of meetings attended.


David A Mortimer AO


Mark Birrell


Graeme T John AO


Margaret M Gibson

Board of Directors

David A Mortimer AO

BEcon (Hons), FCPA

Chairman (non-executive)

David Mortimer has extensive experience in the banking, finance and transportation industries. Deputy chairman of Australia Post since June 2001, he was appointed chairman in September 2006 (current term expires September 2009). Mr Mortimer was formerly managing director and chief executive officer of TNT. He is currently chairman of Crescent Capital Partners and Leighton Holdings, and a director of Petsec Energy and Macquarie Infrastructure Investment Management.

Mark Birrell

LLB, BEc, FAIM

Deputy Chairman (non-executive)

Mark Birrell has had a successful career in both public policy and the law. A member of the Australia Post board since August 2003, he was appointed deputy chairman in March 2007 (current term expires in March 2010). Mr Birrell is chairman of Infrastructure Partnerships Australia and of Evans & Peck Pty Ltd. He is a special counsel with Minter Ellison lawyers and leader of its infrastructure industry group. Mr Birrell is a former cabinet minister and government leader in the Victorian Legislative Council.

Graeme T John AO

FCILT

Managing Director

Graeme John joined Australia Post as chief manager national operations in 1990 and was appointed managing director of the corporation in 1993. He is a director and alternative chairman of Australian air Express and Star Track Express and vice chairman of Sai Cheng Logistics based in China. Mr John is also a commissioner of the Australian Football League, a fellow of the Chartered Institute of Logistics and Transport, and a councillor on the Australian Business Arts Foundation. He is a member of the Business Council of Australia, the Australian Institute of Company Directors and the Committee for Melbourne.

Margaret Gibson

LLB (Hons), BCom, FCA, FTIA, FAICD

Director (non-executive)

Margaret Gibson was appointed to the Australia Post board in September 2004 (current term expires in September 2010). Ms Gibson is a retired partner of PricewaterhouseCoopers where she was a member of the Board of Partners. She is currently a director and chair of the Audit and Risk Committees of Airtrain Holdings Pty Ltd and Northern Territory Power & Water Corporation. Ms Gibson is a member of the Australia & New Zealand Corporate Advisory Board of Unisys (Australia) Pty Ltd, a board member of DLA Phillips Fox and a councillor and the treasurer of the RSPCA (Queensland).

Peter A McLaughlin

BCom (Hons)

Director (non-executive)

Peter McLaughlin has had a distinguished career as an economic adviser and human resources consultant. He was appointed to the Australia Post board in November 1997 (current term expires in May 2008). Mr McLaughlin is a former executive vice president Asia Pacific for the Empower Group and former executive director of the Business Council of Australia. He was also first assistant secretary of the departments of Prime Minister and Cabinet (1982–83) and Treasury (1983–86).

Peter A McLaughlin

Sandra V McPhee

Thomas R Phillips

Ian K Warner

Sandra V McPhee

DipEd, FAICD

Director (non-executive)

Sandra McPhee has extensive experience as a non-executive director and senior executive in a range of consumer-oriented industries, including retail, tourism and aviation, most recently with Qantas Airways Limited. She was appointed to the Australia Post board in October 2001 (current term expires in October 2007). She is currently Vice President of the Art Gallery of New South Wales and a director of Coles Group Ltd, Perpetual Ltd, AGL Energy Ltd, and St Vincent's & Mater Health. Ms McPhee's previous appointments include deputy chair South Australian Water and director of CARE Australia.

Thomas R Phillips AM

MBA (University of New England), FAICD

Director (non-executive)

Tom Phillips has had a successful career in the automotive industry. He was appointed to the Australia Post board in November 2005 (current term expires in November 2008). Mr Phillips is a former CEO of Mitsubishi Motors Australia. He is currently chairman of the South Australian Training and Skills Commission, Safework SA Authority, Development Council for the Salvation Army (South Australia), Archer Exploration Ltd and Uranium SA. He is also a board member of the Flinders Medical Centre Foundation, Adelaide Festival Centre Foundation and Flinders University Council.

Ian K Warner

RFD, LLM. FAICD

Director (non-executive)

Ian Warner is a distinguished legal practitioner with extensive commercial experience. He was appointed to the Australia Post board in June 2001 (current term expires in March 2009). Mr Warner is a former senior partner, and currently a senior consultant, at Jackson McDonald Barristers and Solicitors. He is chairman of Rivaknar Properties (WA), deputy chairman of Amcom Telecommunications and a director of Cape Bouvard Investments.

Executive Committee

- Graeme T John AO
  Managing Director
- Mark Howard
  General Manager,
  Corporate Infrastructure Services Division
- Jim Marshall
  General Manager,
  Mail & Networks Division
- Michael McCloskey
  Corporate Secretary
- Rod McDonald
  Group Manager,
  Human Resources
- Peter Meehan
  Chief Finance Officer
- Bill Mitchell
  General Manager,
  Commercial Division
- Shane Morris
  Group Manager,
  Corporate Strategy
- Stephen Walter
  Group Manager,
  Corporate Public Affairs
- Paul Burke
  Manager,
  Board & Shareholder Liaison

Organisational structure

The board

The board – which sets the corporation's objectives, strategies and policies – is made up of a non-executive chairman, up to eight non-executive directors and one executive director: the managing director.

The managing director

The managing director is responsible for day-to-day management of the corporation.

The executive committee

The executive committee, made up of senior managers, advises the managing director on operational matters and is responsible for the formulation of strategies and policies for consideration by the board.

The senior management team

The senior management team is responsible for key business and support functions. Its members are listed below.

Mail & Networks Division

- **General Manager:** Jim Marshall
- **Managers:** National Logistics – Terry Sinclair; Network Renewal – Peter McBride; Finance & Business Performance – Les Pradd; Human Resources – Peter Rogan; Communications – Ian Cropper; Business Planning – Mike Forster
- **State M&ND Managers:** Terry Taylor (NSW/ACT); William Wilson (Qld); Gary Prior (SA/NT); Steve Ousley (Vic/Tas); Mike Owen (WA)

Commercial Division

- **General Manager:** Bill Mitchell
- **Group Managers:** Retail Services – Rowan Howarth; Retail Channels & Infrastructure – Elizabeth Button; Terry Stephens – Financial Services; Elizabeth Grant – Commercial Services; Noel Leahy – Philatelic; Chris Koo – Parcels
- **Managers:** Commercial Development – Brendan Lynch (Acting); Human Resources – Peter Godfrey
- **State Commercial Managers:** Mark Warren (NSW/ACT); Helen Brodie (Qld); Bevan Adams (SA/NT); Peter Lavis (Vic/Tas); David Eaton (WA)
- **State Retail Managers:** Christine Corbett (NSW/ACT); Allan Bain (Qld); Anne-Marie Nguyen (SA/NT); Glenn O'Bryan (Vic/Tas); Jeff Healey (WA)

Products & customised services

- **Letters Group Manager:** Allan Robinson
- **International Group Manager:** Peter Morrison
- **Post Logistics Group Manager:** Alec Ceselli
- **Courier and Mailroom Services Group Manager:** Geoff Cook
- **eLetter Solutions General Manager:** Vicki Miller
- **First Direct Solutions Manager:** Frank Forgione

Finance

- **Group Finance Officer:** Peter Meehan
- **Group Financial Controller:** Michael Tenace
- **Group Managers:** Finance, Commercial – Brian McCraith; Superannuation – Angus McKenzie; Financial Strategy & Sustainability – Alan Marshall; Taxation – Peter Dimech; Product & Commercial Analysis – Scott Cumbrae-Stewart; Revenue Collection – Peter Clarke; Shared Services General Manager – Arthur Skipitaris
- **Managers:** Treasury – Errol Dorfan; Finance, Corporate Infrastructure Services – Martin Lobb

Corporate Infrastructure Services

- **General Manager:** Mark Howard
- **Chief Information Officer:** Wayne Saunders
- **Group Managers:** Technology Services – Andrew Howlett; Commercial and Products Business Systems – Kerry Ashbrook; Corporate Sourcing – Rob Loats; Corporate Real Estate – Adam Treffry
- **Managers:** Refresh Project – Jill Malyaris/Denise Dyer, Human Resources – Kim Mayberry

Business Support

- **Human Resources Group Manager:** Rod McDonald
- **Corporate Secretary:** Michael McCloskey
- **Corporate Strategy Group Manager:** Shane Morris
- **Corporate Public Affairs Group Manager:** Stephen Walter
- **Corporate Audit Group Manager:** David Mallard
- **Corporate Security Group Manager:** John Sharp
- **International Treaty & Policy Group Manager:** Chris Grosser

Contents Financial and statutory reports

UNDERSTANDING OUR STATEMENTS

Australia Post's 2006/07 financial statements enable readers to assess the corporation's results for the year, its present financial position, its future outlook and the value of its assets. Comparable measures are provided for the previous year.

The Statements by Directors and the Auditor-General's Report are standard legal declarations that are required in all annual financial reports.

The "corporation" figures are for Australia Post alone, while the "consolidated" figures include transactions between Australia Post and its subsidiary companies or third parties.

All figures in these statements are rounded to the nearest $100,000 unless otherwise stated.

The income statement shows the revenue and running costs of the corporation for the financial year.

The balance sheet provides information on Australia Post's assets and liabilities and indicates the amount of the Commonwealth Government's investment at the end of the financial year.

Assets listed in the balance sheet as "current" are likely to be converted to cash within the next 12 months. Liabilities that are "current" are due and payable within 12 months. "Non-current" assets or liabilities are long-term. Equity is the corporation's total capital and reserves plus profits that have been reinvested over the years.

The cash flow statement shows the derivation of the corporation's cash resources during the financial year and its cash outlays.

To gain a complete understanding of Australia Post's 2006/07 results, the financial statements should be read in conjunction with the accompanying explanatory notes.

Statement by directors For the year ended 30 June 2007

2006/07 FINANCIAL REPORT

In the opinion of the directors:

(a) the accompanying financial report for the year ended 30 June 2007:

- (i) gives a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*; and
- (ii) has been prepared based on properly maintained financial records; and

(b) at the date of this statement, there are reasonable grounds to believe that the corporation will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the directors.

D A Mortimer
Chairman

G T John
Managing Director

Melbourne
23 August 2007

2006/07 FINANCIAL STATEMENTS CERTIFICATION

Prior to the adoption of the 2006/07 financial statements the board received and considered a written statement from the managing director and chief finance officer to the effect:

- that the statements presented a true and fair view, in all material respects, of the corporation and the consolidated entity's financial position and performance and were in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia as required by the Finance Minister's Orders under the *Commonwealth Authorities and Companies Act 1997*; and
- that the integrity of the financial statements and notes thereto are founded on a sound system of risk management, internal compliance and control that operated effectively and efficiently in all material respects, consistent with the Australian Standard on Risk Management (AS/NZS 4360:2004) and policies adopted by the board of directors.

D A Mortimer
Chairman

Melbourne
23 August 2007

2006/07 REPORT OF OPERATIONS

In the opinion of the directors, the requirements under section 9 of the *Commonwealth Authorities and Companies Act 1997* for the preparation and content of the Report of Operations as specified in orders issued by the Minister for Finance and Administration are met in the general body of this report (pages 2–54) and in the Statutory Report (pages 120–26).

This statement is made in accordance with a resolution of the directors.

D A Mortimer
Chairman

Melbourne
23 August 2007

Auditor-General for Australia

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Communications, Information Technology and the Arts and the Board of the Australian Postal Corporation

Scope

I have audited the accompanying financial statements of the Australian Postal Corporation (the Corporation) and the consolidated entity, which comprise a statement by the Directors; income statement; balance sheet; statement of recognised income and expenditure; cash flow statement; and schedules of commitments, contingencies; summary of significant accounting policies; and other explanatory notes.

The Responsibility of the Board of Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and the Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(b), the directors also state that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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19 National Circuit BARTON ACT
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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the ethical requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion:

1. the financial statements of the Australian Postal Corporation and the consolidated entity:

   (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, and the Australian Accounting Standards (including the Australian Accounting Interpretations); and

   (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Australian Postal Corporation and the consolidated entity's financial position as at 30 June 2007 and of its financial performance and its cash flows for the year then ended.

2. the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(b).

Report on Other Legal and Regulatory Requirements

I have not acted as auditor of, or audited the financial statements of subsidiaries as indicated in Note 10.

Ian McPhee

Auditor-General

Canberra

23 August 2007

Income statement For the year ended 30 June 2007

	Note	Consolidated 2007 $m	Consolidated 2006 $m	Corporation 2007 $m	Corporation 2006 $m
REVENUE	*2, 26*				
Goods and services		4,566.8	4,416.1	4,429.7	4,282.1
Interest		40.6	34.0	41.4	34.4
		4,607.4	4,450.1	4,471.1	4,316.5
OTHER INCOME					
Dividends		0.0	0.0	23.5	21.8
Rents		23.8	21.1	24.2	21.8
Other revenues and gains		47.2	27.4	46.4	26.2
		71.0	48.5	94.1	69.8
Total income		**4,678.4**	**4,498.6**	**4,565.2**	**4,386.3**
EXPENSES (EXCLUDING FINANCING COSTS)	*3*				
Employees		1,998.6	1,982.1	1,935.2	1,929.2
Suppliers		1,904.5	1,795.2	1,836.2	1,726.8
Depreciation and amortisation		174.3	168.9	165.9	161.8
Net loss on disposal of property, plant & equipment		1.6	2.1	1.6	2.0
Net foreign exchange losses		1.4	0.4	1.3	0.3
Write-down and impairment of assets		0.8	0.1	0.7	0.0
Other expenses		34.3	33.8	33.0	31.8
Total expenses (excluding financing costs)		**4,115.5**	**3,982.6**	**3,973.9**	**3,851.9**
Profit before income tax, financing costs and share of net profits of jointly controlled entities		**562.9**	**516.0**	**591.3**	**534.4**
Financing costs	*4*	33.9	31.9	33.6	31.5
Share of net profits of jointly controlled entities	*11*	32.7	31.5	0.0	0.0
Profit before income tax		**561.7**	**515.6**	**557.7**	**502.9**
Income tax expense	*5(c)*	161.1	147.5	161.8	146.5
Net profit for period		**400.6**	**368.1**	**395.9**	**356.4**
(Profit)/loss attributable to minority interests		0.1	(0.2)	–	–
Profit attributable to members of parent		**400.7**	**367.9**	**395.9**	**356.4**

The income statement should be read in conjunction with the accompanying notes.

Balance sheet As at 30 June 2007

	Note	Consolidated 2007 $m	Consolidated 2006 $m	Corporation 2007 $m	Corporation 2006 $m
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	*31(a)*	765.0	641.5	755.1	630.3
Trade and other receivables	*6*	334.7	343.0	310.4	316.9
Inventories	*7*	46.5	42.8	46.5	42.8
Accrued revenues		96.7	100.5	98.8	102.3
Other current assets	*8*	52.9	52.7	50.8	50.7
Total current assets		1,295.8	1,180.5	1,261.6	1,143.0
NON-CURRENT ASSETS					
Trade and other receivables	*9*	226.6	226.6	247.9	240.4
Investments in controlled entities	*10*	0.0	0.0	77.8	77.6
Investments in jointly controlled entities	*11*	308.7	297.7	263.6	263.6
Superannuation asset	*12*	1,777.8	1,351.3	1,777.8	1,351.3
Land and buildings	*13*	773.1	739.9	768.3	738.5
Plant and equipment	*13*	534.2	512.4	518.5	500.0
Intangible assets	*14*	192.6	156.0	127.4	91.2
Investment property	*15*	127.1	95.6	130.0	95.6
Deferred income tax assets	*5(d)*	249.6	243.5	245.8	240.4
Other financial assets	*17*	5.0	4.9	4.9	4.9
Total non-current assets		4,194.7	3,627.9	4,162.0	3,603.5
Total assets		5,490.5	4,808.4	5,423.6	4,746.5
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	*18*	769.7	697.0	746.6	679.2
Interest-bearing liabilities	*19*	0.8	231.3	0.0	230.2
Provisions	*20*	513.3	488.1	507.8	483.5
Income tax payable		56.8	17.2	56.5	16.3
Total current liabilities		1,340.6	1,433.6	1,310.9	1,409.2
NON-CURRENT LIABILITIES					
Interest-bearing liabilities	*19*	530.4	302.7	529.6	301.1
Provisions	*20*	165.5	174.6	162.1	171.3
Payables	*21*	6.4	5.1	7.6	1.5
Deferred tax liabilities	*5(d)*	635.2	504.8	633.6	502.1
Total non-current liabilities		1,337.5	987.2	1,332.9	976.0
Total liabilities		2,678.1	2,420.8	2,643.8	2,385.2
Net assets		2,812.4	2,387.6	2,779.8	2,361.3
EQUITY					
Contributed equity	*22*	400.0	400.0	400.0	400.0
Reserves	*23*	4.6	2.1	5.4	1.9
Retained profits	*22*	2,407.5	1,985.1	2,374.4	1,959.4
Parent interest		2,812.1	2,387.2	2,779.8	2,361.3
Minority interest	*22*	0.3	0.4	–	–
Total equity		2,812.4	2,387.6	2,779.8	2,361.3

The balance sheet should be read in conjunction with the accompanying notes.

	Note	Consolidated 2007 $m	Consolidated 2006 $m	Corporation 2007 $m	Corporation 2006 $m
STATEMENT OF RECOGNISED INCOME AND EXPENSE					
Adjustment on adoption of new accounting standards relating to financial instruments [1]	22	0.0	1.4	0.0	0.6
Exchange differences on translation of foreign operations	23	(0.2)	0.1	0.0	0.0
Actuarial gain on defined benefit plans	12	426.6	467.6	426.6	467.6
Fair value revaluation of land and buildings	23	6.8	0.0	6.8	0.0
Effective portion of changes in fair value of cash flow hedges taken to equity	23	(1.9)	0.7	(1.9)	0.7
Income tax on items taken directly to or transferred directly from equity	5(b)	(129.3)	(141.1)	(129.3)	(141.1)
Movements in joint venture reserves and actuarial gains and losses (net of tax)	22	1.8	1.9	0.0	0.0
Net income recognised directly in equity		**303.8**	**330.6**	**302.2**	**327.8**
Net profit for period		**400.6**	**368.1**	**395.9**	**356.4**
Total recognised income and expense for the period		**704.4**	**698.7**	**698.1**	**684.2**
Attributable to:					
Equity holders of the parent		704.5	698.5	698.1	684.2
Minority interest		(0.1)	0.2	0.0	0.0
Total recognised income and expense for the period		**704.4**	**698.7**	**698.1**	**684.2**

(1) Included in the consolidated amount is $nil million ($0.8 million in 2006) in relation to joint ventures.

Other movements in equity arising from transactions with owners as owners are set out in note 22.

Change in accounting policy

The policy of recognising financial guarantee contracts as financial liabilities was adopted for the first time in the current financial year. In previous reporting periods, a liability for financial guarantee contracts was only recognised if it was probable that the debtor would default and a payment would be required under the contract. The change in policy was necessary following the change to AASB 139 *Financial Instruments: Recognition and Measurement* made by AASB 2005–9 *Amendments to Australian Accounting Standards* in September 2005.

The new policy has been applied retrospectively and comparative information in relation to the 2006 financial year has been restated accordingly. Total equity of the corporation and consolidated group at 1 July 2005 has been adjusted by $0.4 million. There is no impact on prior year profit as a result of this new standard (refer to note 22). There was no tax impact as the initial recognition of the guarantees does not affect accounting profit or taxable income.

The statement of recognised income and expense should be read in conjunction with the accompanying notes.

Cash flow statement For the year ended 30 June 2007

	Note	Consolidated 2007 $m	Consolidated 2006 $m	Corporation 2007 $m	Corporation 2006 $m
OPERATING ACTIVITIES					
CASH RECEIVED					
Goods and services		5,030.6	4,823.6	4,886.1	4,686.9
Interest		39.5	34.2	40.3	34.6
Dividends		23.5	22.3	23.5	21.8
Total cash received		5,093.6	4,880.1	4,949.9	4,743.3
CASH USED					
Employees		1,978.0	1,972.7	1,916.1	1,921.7
Suppliers		2,078.1	1,937.4	2,002.7	1,862.1
Financing costs		32.3	31.5	32.1	30.9
Income tax		125.3	156.0	125.1	156.0
GST paid		208.2	213.4	206.0	210.5
Total cash used		4,421.9	4,311.0	4,282.0	4,181.2
Net cash from operating activities	*31(b)*	671.7	569.1	667.9	562.1
INVESTING ACTIVITIES					
CASH RECEIVED					
Proceeds from sales of property, plant and equipment		14.9	24.7	14.9	24.5
Total cash received		14.9	24.7	14.9	24.5
CASH USED					
Loans to related parties		0.0	0.0	7.9	1.5
Payments for investments in controlled entities (net of cash acquired)		0.0	7.9	0.0	14.0
Payments for investment property		4.0	0.3	4.0	0.3
Purchase of property, plant and equipment		205.2	178.3	195.6	173.0
Purchase of intangibles		74.5	52.0	71.1	50.8
Total cash used		283.7	238.5	278.6	239.6
Net cash used by investing activities		(268.8)	(213.8)	(263.7)	(215.1)
FINANCING ACTIVITIES					
CASH RECEIVED					
Proceeds from borrowings		230.0	0.0	230.0	0.0
Total cash received		230.0	0.0	230.0	0.0
CASH USED					
Payment for borrowings		230.0	0.0	230.0	0.0
Dividends paid	*24*	279.4	282.5	279.4	282.5
Total cash used		509.4	282.5	509.4	282.5
Net cash used by financing activities		(279.4)	(282.5)	(279.4)	(282.5)
Net increase in cash and cash equivalents		123.5	72.8	124.8	64.5
Cash and cash equivalents at beginning of reporting period		641.5	568.7	630.3	565.8
Cash and cash equivalents at end of reporting period	*31(a)*	765.0	641.5	755.1	630.3

The cash flow statement should be read in conjunction with the accompanying notes.

	Consolidated 2007 $m	Consolidated 2006 $m	Corporation 2007 $m	Corporation 2006 $m
SCHEDULE OF COMMITMENTS				
BY TYPE				
Commitments receivable				
Sub-lease rental receivables	6.0	2.1	6.0	2.1
Total commitments receivable	6.0	2.1	6.0	2.1
Capital commitments				
Land and buildings	32.6	19.6	32.2	19.6
Plant and equipment	64.3	56.0	49.7	51.2
Other	0.1	0.5	0.1	0.5
Total capital commitments	97.0	76.1	82.0	71.3
Other commitments				
Operating leases (1)	765.7	408.8	269.9	281.7
Other commitments (2)	988.1	850.1	987.8	849.9
Total other commitments	1,753.8	1,258.9	1,257.7	1,131.6
Total commitments payable	1,850.8	1,335.0	1,339.7	1,202.9
BY MATURITY				
Capital commitments due				
Within one year	95.5	76.1	82.0	71.3
From one to five years	1.5	0.0	0.0	0.0
Total capital commitments	97.0	76.1	82.0	71.3
Operating lease commitments due				
Within one year	127.7	96.2	67.4	69.3
From one to five years	325.8	221.4	138.8	143.0
Over five years	312.2	91.2	63.7	69.4
Total operating lease commitments	765.7	408.8	269.9	281.7
Other commitments due				
Within one year	412.3	344.9	412.2	344.7
From one to five years	574.0	503.0	573.8	503.0
Over five years	1.8	2.2	1.8	2.2
Total other commitments	988.1	850.1	987.8	849.9
Total commitments payable by maturity	1,850.8	1,335.0	1,339.7	1,202.9

(1) Of these commitments, $393.8 million ($84.3 million in 2006) relates to jointly controlled entities.

(2) The majority of these commitments relate to carriage and delivery of letters and parcels by contractors, and $0.3 million ($0.2 million in 2006) relates to jointly controlled entities.

	Guarantees[1]		Claims for damages or other costs[2]		Total	
	2007 $m	2006 $m	2007 $m	2006 $m	2007 $m	2006 $m
SCHEDULE OF CONTINGENCIES						
CONSOLIDATED						
Balance from previous period	205.9	202.0	10.8	9.6	216.7	211.6
New	1.8	1.0	5.8	3.3	7.6	4.3
Re-measurement	(9.5)	3.0	(0.6)	1.2	(10.1)	4.2
Liabilities crystallised	–	–	(5.3)	–	(5.3)	–
Obligations expired	(2.0)	(0.1)	–	(3.3)	(2.0)	(3.4)
Total contingent liabilities	**196.2**	**205.9**	**10.7**	**10.8**	**206.9**	**216.7**
Balance from previous period	–	–	–	–	–	–
New	7.5	–	1.0	–	8.5	–
Re-measurement	–	–	–	–	–	–
Liabilities crystallised	–	–	–	–	–	–
Obligations expired	–	–	–	–	–	–
Total contingent assets	**7.5**	**–**	**1.0**	**–**	**8.5**	**–**
Net contingencies	**188.7**	**205.9**	**9.7**	**10.8**	**198.4**	**216.7**
CORPORATION						
Balance from previous period	166.4	162.7	10.8	9.6	177.2	172.3
New	–	–	5.8	3.3	5.8	3.3
Re-measurement	(9.2)	3.7	(0.6)	1.2	(9.8)	4.9
Liabilities crystallised	–	–	(5.3)	–	(5.3)	–
Obligations expired	–	–	–	(3.3)	–	(3.3)
Total contingent liabilities	**157.2**	**166.4**	**10.7**	**10.8**	**167.9**	**177.2**
Balance from previous period	–	–	–	–	–	–
New	7.5	–	1.0	–	8.5	–
Re-measurement	–	–	–	–	–	–
Liabilities crystallised	–	–	–	–	–	–
Obligations expired	–	–	–	–	–	–
Total contingent assets	**7.5**	**–**	**1.0**	**–**	**8.5**	**–**
Net contingencies	**149.7**	**166.4**	**9.7**	**10.8**	**159.4**	**177.2**

(1) Relate to bank guarantees over projected workers' compensation claims liabilities, and other guarantees provided by joint venture entities.

(2) Relate to legal liability claims that have been lodged against the corporation and subsidiaries, including motor vehicle accident and personal injury claims.

01. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with:

- Finance Minister's Orders (being the Commonwealth Authorities and Companies (Financial Statement) Orders) for reporting periods ending on or after 1 July 2006
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that apply for the reporting period.

The financial report has been prepared on a historical cost basis, except for investment properties, derivative financial instruments and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The financial report is presented in Australian dollars and all values are rounded to the nearest one hundred thousand dollars ($0.1 million) unless otherwise stated.

(b) Statement of compliance

The Australian Postal Corporation (the corporation) is incorporated under the provisions of the *Australian Postal Corporation Act 1989* as amended. Financial statements are required by clause 1 (b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997*. The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2007. The standards are shown in the table on pages 67 and 68.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the corporation and its subsidiaries (the group) as at 30 June each year.

Subsidiaries are all those entities over which the group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. Investments in subsidiaries are carried at cost less any impairment losses. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group.

(d) Significant accounting judgements, estimates and assumptions

(i) Significant accounting estimates and assumptions

In applying the group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experiences and other factors – including expectations of future events that may have an impact on the group. All judgements, estimates and assumptions made are believed to be reasonable, based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

Impairment of goodwill and intangibles with indefinite useful lives

The group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of the recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 16.

Make good provisions

Management has made assumptions in arriving at its best estimate of the likely costs to "make good" premises which are currently occupied under operating lease. Such estimates involve management forecasting the average restoration cost per square metre and are dependent on the nature of the premises occupied.

Employee benefits

Various assumptions are required when determining the group's superannuation, long service leave, annual leave and workers' compensation obligations. Note 12 describes the assumptions used in calculating the group's superannuation obligation.

(ii) Significant accounting judgements

Investment property classification

The group has determined that those properties classified as investment properties are primarily held to earn rentals or for capital appreciation. Where a property is also utilised for internal use, the group has determined whether this is an insignificant portion of total floor space and, if so, classified the property as investment property.

Operating lease commitments – group as lessor

The group has entered into commercial property leases on its investment property portfolio. The entity has determined that it retains all the significant risks and rewards of ownership of these properties and has consequently classified the leases as operating leases.

(e) Business combinations

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price at the date of exchange, unless – in rare circumstances – it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value, and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
AASB 2005–10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	No material change to accounting policy anticipated. The amendments will result in changes to the financial instrument disclosures included in the group's financial report.	1 January 2007	1 July 2007
AASB 2007–1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	No change to accounting policy. Only applicable to companies issuing share-based payments.	1 March 2007	1 July 2007
AASB 2007–2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	As the group currently has no service concession arrangements or public–private partnerships (PPPs), it is expected that this interpretation will have no impact on the financial report.	1 January 2007	1 July 2007
AASB 2007–3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 1023 & AASB 1038]	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the group's financial statements. No material change to accounting policy anticipated.	1 January 2009	1 July 2009
AASB 2007–4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	These amendments are expected to reduce the extent of some disclosures in the group's financial report.	1 July 2007	1 July 2007
AASB 2007–5	Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]	This amendment relates only to not-for-profit entities and as such is not expected to have any impact on the group's financial report.	1 July 2007	1 July 2007
AASB 2007–6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The group has no borrowing costs associated with qualifying assets, therefore the amendments are not expected to have any impact on the group's financial report.	1 January 2009	1 January 2009
AASB 2007–7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the group's financial report.	1 July 2007	1 July 2007
AASB 7	*Financial Instruments: Disclosures*	Refer to AASB 2005–10 above.	1 January 2007	1 July 2007
AASB 8	*Operating Segments*	Refer to AASB 2007–3 above.	1 January 2009	1 July 2009
AASB 123 (amended)	*Borrowing Costs*	Refer to AASB 2007–6 above.	1 January 2009	1 January 2009
AASB Interpretation 10	*Interim Financial Reporting and Impairment*	The prohibitions on reversing impairment losses in AASB 136 and AASB 139 to take precedence over the more general statement in AASB 134 is not expected to have any impact on the group's financial report.	1 November 2006	1 July 2007
AASB Interpretation 11	*Group and Treasury Share Transactions*	Refer to AASB 2007–1 above.	1 March 2007	1 July 2007
AASB Interpretation 12	*Service Concession Arrangements*	Refer to AASB 2007–2 above.	1 January 2007	1 July 2007
IFRIC Interpretation 13	*Customer Loyalty Programmes*	The group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the group's financial report.	1 January 2008	1 January 2008
IFRIC Interpretation 14	IAS 19 - *The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements*	The group does have a defined benefit pension plan and as such this interpretation may have an impact on the group's financial report. The group has not yet determined the extent of the impact, if any.	1 January 2008	1 January 2008

Reference	Title	Nature of change to accounting policy	Application date of standard	Application date for group
UIG 7	Applying the restatement approach under AASB 129 *Financial Reporting in Hyperinflationary Economies*	No material change to accounting policy anticipated.	1 March 2006	1 July 2007
UIG 8	Scope of AASB 2 *Share-based Payment*	No change to accounting policy. Only applicable to companies issuing share-based payments.	1 May 2006	1 July 2007
UIG 9	*Reassessment of Embedded Derivatives*	No material change to accounting policy anticipated.	1 June 2006	1 July 2007

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods and services

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred, or to be incurred, in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer. Recognition is at point of sale in the case of postage items and provision of agency services, point of lodgement in the case of bulk mail, and when control of goods has passed to the buyer in the case of retail products. Allowance is made for the assessed amount of revenue from postage sales as at balance date regarding which service had not yet been provided.

(ii) Interest income

Revenue is recognised as interest accrued using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Dividends

Revenue is recognised when the group's right to receive the payment is established. Dividends received from joint ventures are accounted for in accordance with the equity method of accounting.

(iv) Rental income

Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

(g) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services and subject to risks and returns that are different to those of other business segments.

(h) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants are not credited directly to shareholders' equity. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(i) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement. It also requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset, or assets, and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Finance leases, which substantially transfer to the group all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(ii) Group as a lessor

Leases in which the group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(j) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

(k) Trade and other receivables

Trade receivables, which generally have 30–90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectable amounts. Other receivables are initially recorded at the fair value of the amounts to be received and are subsequently measured at amortised cost.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is made when there is objective evidence that the group will not be able to collect the debts. Bad debts are written off when identified.

(l) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows.

- Raw materials – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price including the transfer from equity of gains and losses on qualifying cash flow hedges of purchases of raw materials, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition or raw materials. Volume discounts and rebates are included in determining the cost of purchase.
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(m) Derivative financial instruments and hedging

The group uses derivative financial instruments, such as forward currency contracts, oil swap contracts and interest-rate swaps to hedge its risks associated with interest rate, foreign currency and oil / diesel price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest-rate swap contracts and oil swap contracts are determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitments;
- cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a highly probable forecast transaction; or
- hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the group formally designates and documents the hedge relationship to which the group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows.

(i) Fair value hedges

Fair value hedges are hedges of the group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured to fair value and gains and losses from both are taken to profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

The changes in the fair value of the hedging instrument are also recognised in profit or loss. The group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

(ii) Cash flow hedges

Cash flow hedges are hedges of the group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly

probable forecast transaction and that could affect profit or loss. The group enters into such contracts in regards to its fuel exposures. The group enters into forward exchange contracts whereby it agrees to buy or sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales and purchases in foreign currencies to protect the group against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually for no longer than 12 months.

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

(n) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of the corporation and its Australian subsidiaries is Australian dollars ($). Each entity in the group determines that its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

As at the reporting date, the assets and liabilities of subsidiaries with a different functional currency to the Australian dollar are translated into the presentation currency of the corporation at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss, with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(o) Investment in jointly controlled entities

The group's investments in jointly controlled entities are accounted for using the equity method of accounting in the consolidated financial statements. Jointly controlled entities are entities where decisions regarding the financial and operating policies essential to the activities, economic performance and financial position of that venture require the consent of each of the venturers that jointly control the entity.

Under the equity method, the investment in the jointly controlled entity is carried in the consolidated balance sheet at cost plus post-acquisition changes in the group's share of net assets. Goodwill relating to a jointly controlled entity is included in the carrying amount of the investment and is not amortised. After application of the equity method, the group determines whether it is necessary to recognise any additional impairment loss regarding the group's net investment. The consolidated income statement reflects the group's share of the results of operations of the jointly controlled entity.

Where there has been a change recognised directly in the jointly controlled entity's equity, the group recognises its share of any changes and discloses this in the consolidated statement of recognised income and expense.

Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the corporation. Where reporting dates of jointly controlled entities differ from those of the corporation, necessary adjustments have also been made.

(p) Taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- when the taxable temporary difference is associated with investments in subsidiaries or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available, against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

The Australian Postal Corporation and its wholly owned Australian resident subsidiaries have implemented the tax consolidation legislation as of 1 July 2004. The head entity, the Australian Postal Corporation, and the Australian resident subsidiaries in the tax consolidated group continue to account for their own current and deferred tax amounts. The members of the tax consolidated group have entered into a tax-sharing agreement in order to allocate income tax expense across the group on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. Refer to note 5 for further tax consolidation disclosures.

(q) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables, which are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor authority's accounts immediately prior to the restructuring.

(s) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the profit or loss as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives using the straight-line method of depreciation.

Depreciation / amortisation rates (useful lives) and methods are reviewed annually and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation and amortisation rates applying to items in each class of depreciable asset are based on the following useful lives.

	2007	2006
Buildings – GPOs	70 years	70 years
Buildings – other facilities	40–50 years	40–50 years
Leasehold improvements	Lower of lease term and 10 years	Lower of lease term and 10 years
Motor vehicles	3–7 years	3–7 years
Specialised plant and equipment	10–20 years	10–20 years
Other plant and equipment	3–10 years	3–10 years

The aggregate amount of depreciation and amortisation allocated for each class of asset during the reporting period is disclosed in note 3.

(t) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the group as an owner-occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. When the group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

(u) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(v) Impairment of financial assets

The group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment, and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(w) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, ie the date on which the group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period

established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held to maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available for sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(x) Goodwill

Goodwill acquired in a business combination is initially measured at cost, this being the excess of the cost of the business combination over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the group at which the goodwill is monitored for internal management purposes
- is not larger than a segment based on the group's primary or reporting format determined in accordance with AASB 114 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (or group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(y) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life of the asset and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category, consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at cash-generating unit level. Such intangibles are not amortised. The useful

life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Computer software is carried at cost and is amortised on a straight-line basis over its anticipated useful life, being four to eight years.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

(z) Impairment of assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(aa) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the group before the end of the financial year that are unpaid and arise when the group becomes obliged to make future payments in respect of the purchase of these goods and services.

(bb) Interest bearing loans and liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(cc) Financing costs

Financing costs are recognised as an expense when incurred.

(dd) Provisions (excluding employee benefits)

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the group expects some or all of a provision to be reimbursed, eg under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a financing cost.

(ee) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits) expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date.

Liabilities for annual leave where the corporation does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date are recognised in current provisions at the amounts expected to be paid when the liabilities are settled.

No liability is recognised for sick leave as benefits lapse with termination of employment and experience indicates that the pattern of sick leave taken is less than the entitlement accumulating.

(ii) Long service leave

The liability for long service leave is recognised as a provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Workers' compensation

The corporation is a license holder under the *Safety, Rehabilitation and Compensation Act 1988* (SRC Act). The corporation self insures its liability for workers' compensation. Claims are recognised in the financial statements and measured by the discounted value of an annuity. The adequacy of the provision is established by reference to the work of an actuary as at balance date, with the estimate of present value taking into account pay increases, attrition rates, interest rates and the time over which settlement is made.

In accordance with its SRC Act licensing conditions, the corporation has a bank guarantee to cover its outstanding actuarial established claims liability (see Schedule of contingencies). The corporation also complies with a requirement to maintain reinsurance to limit its workers' compensation liabilities.

The corporation has recognised a liability for workers' compensation of $114.9 million at balance date (refer to note 20) of which $6.0 million relates to claims made in the 2006/07 financial year ($6.3 million in 2005/06).

(iv) Separation and redundancy

A liability is recognised for separation and redundancy benefit payments for ongoing major restructuring only where the corporation is demonstrably committed to the restructuring and the cost can be reliably measured (see note 20). Generally, such assessments do not exceed the certainty of initiatives planned for the following year.

(ff) Pensions and other post-employment benefits

The group has a defined benefit plan. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in retained earnings.

The defined benefit asset or liability recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(gg) Financial guarantees

The fair value of financial guarantee contracts discussed in note 18 has been assessed using a probability-weighted discounted cash flow approach. In order to estimate the fair value under this approach, the following assumptions are made.

- Probability of default (PD) represents the likelihood of the guaranteed party defaulting over the terms of relevant agreements and is assessed based on historical default rates of companies rated by Standard & Poors. The range used in the model is between 0 per cent and 5 per cent.
- Loss given default (LGD) represents the proportion of the exposure that is not expected to be recovered in the event of a default by the guaranteed party. The range used in the model is between 0 per cent and 50 per cent.
- Exposure at Default (EAD) represents the maximum loss that the corporation is exposed to if the guaranteed party was to default. The model assumes that the guaranteed loan / facility contract is at maximum possible exposure at the time of default, and hence equates to the values disclosed in note 18.

When the uncertainty associated with an assumption was sufficient to warrant consideration of a range of possible assumptions, the maximum in the range was used for valuation purposes. The value of the financial guarantee over each future year of the guarantee's life is then equal to PD x LGD x EAD, which is discounted over the contractual term of the guarantee to inception date, to determine the fair value. The discount rate adopted is based on the Commonwealth government bond yield as at 30 June. The contractual term of the guarantee matches the underlying obligation to which it relates.

(hh) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Insurance

Generally, the corporation self insures its own risks. However, with respect to catastrophic losses, appropriate insurance coverage for both the corporation and its controlled entities has been arranged with general insurers. Payments on account of losses and insurance premiums paid in any year are charged against revenue for the year. Where appropriate, the controlled entities insure their other risks with general insurers.

(jj) Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Contingent assets are reported when settlement is probable, and contingent liabilities are recognised when settlement is greater than remote.

(kk) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

02. REVENUES AND OTHER INCOME

	Consolidated 2007 $m	Consolidated 2006 $m	Corporation 2007 $m	Corporation 2006 $m
REVENUE				
Rendering of services to				
Related entities [1]	160.5	251.9	160.5	251.9
External entities [2]	4,069.5	3,827.8	3,940.2	3,705.3
	4,230.0	4,079.7	4,100.7	3,957.2
Sale of goods to external entities [2]	**336.8**	**336.4**	**329.0**	**324.9**
	4,566.8	4,416.1	4,429.7	4,282.1
Interest from				
Deposits and discount securities	30.3	23.7	31.1	24.1
Loans	10.3	10.3	10.3	10.3
	40.6	34.0	41.4	34.4
Total revenue	**4,607.4**	**4,450.1**	**4,471.1**	**4,316.5**
OTHER INCOME AND GAINS				
Dividends received or receivable from joint ventures	**0.0**	**0.0**	**23.5**	**21.8**
Rents from operating leases	**23.8**	**21.1**	**24.2**	**21.8**
Other revenues and gains				
Other services				
Related entities (government grants) [1]	4.5	3.4	4.5	3.4
External entities [2]	20.8	19.8	19.6	18.7
	25.3	23.2	24.1	22.1
Net gain on disposal of assets				
Land and buildings	3.7	0.3	3.7	0.3
Change in fair value of investment properties	18.2	3.8	18.6	3.8
Net foreign exchange gains – non-speculative	0.0	0.1	0.0	0.0
Total other revenues and gains	**47.2**	**27.4**	**46.4**	**26.2**
Total other income and gains	**71.0**	**48.5**	**94.1**	**69.8**
Total revenue and other income	**4,678.4**	**4,498.6**	**4,565.2**	**4,386.3**

(1) Related entities – related to the Commonwealth Government.

(2) External entities – not related to the Commonwealth Government.

03. EXPENSES (EXCLUDING FINANCING COSTS)

	Consolidated 2007 $m	Consolidated 2006 $m	Corporation 2007 $m	Corporation 2006 $m
EMPLOYEES				
Wages and salaries	1,566.8	1,532.5	1,518.8	1,492.0
Superannuation (defined benefit expense)	73.4	99.4	73.4	99.4
Payroll tax	101.5	103.1	98.0	100.4
Leave and other entitlements	188.6	187.3	184.2	183.3
Separation and redundancy	17.3	8.5	17.1	8.5
Workers' compensation	22.8	24.4	21.6	23.7
Other employee expenses	28.2	26.9	22.1	21.9
	1,998.6	**1,982.1**	**1,935.2**	**1,929.2**
SUPPLIERS				
Purchase of services from				
Related entities [1]	0.0	35.7	0.0	35.4
External entities [2]	1,603.7	1,464.3	1,551.3	1,409.8
	1,603.7	1,500.0	1,551.3	1,445.2
Cost of sales – goods purchased from external entities [2]	193.4	194.7	192.3	192.2
Operating lease rentals (refer to note 30 (i))	107.4	100.5	92.6	89.4
	1,904.5	**1,795.2**	**1,836.2**	**1,726.8**
DEPRECIATION AND AMORTISATION				
Depreciation				
Buildings	47.4	45.6	47.0	45.6
Plant and equipment	79.4	81.6	74.9	77.4
Plant and equipment under finance lease	9.4	9.8	9.4	9.8
Amortisation				
Computer software	35.2	29.5	34.6	29.0
Other intangibles	2.9	2.4	0.0	0.0
	174.3	**168.9**	**165.9**	**161.8**
NET LOSS ON DISPOSAL OF ASSETS				
Plant and equipment	1.3	2.1	1.3	2.0
Intangibles	0.3	0.0	0.3	0.0
	1.6	**2.1**	**1.6**	**2.0**
NET FOREIGN EXCHANGE LOSSES – NON-SPECULATIVE	**1.4**	**0.4**	**1.3**	**0.3**
WRITE-DOWN / (BENEFIT) AND IMPAIRMENT OF ASSETS				
Inventory	(0.2)	(0.1)	(0.2)	(0.1)
Financial				
Receivables	1.0	0.2	0.9	0.1
	0.8	**0.1**	**0.7**	**0.0**
OTHER EXPENSES	**34.3**	**33.8**	**33.0**	**31.8**
Total expenses	4,115.5	3,982.6	3,973.9	3,851.9

(1) Related entities – related to the Commonwealth Government.
(2) External entities – not related to the Commonwealth Government.

	Consolidated		Corporation	
	2007 $m	2006 $m	2007 $m	2006 $m

04. FINANCING COSTS

Interest expense – bonds	33.1	30.7	33.1	30.6
Interest expense – hire purchase	0.2	0.3	0.0	0.0
Unwinding of discount (refer to note 20)	0.6	0.9	0.5	0.9
Total financing costs	**33.9**	**31.9**	**33.6**	**31.5**

05. INCOME TAX

Major components of income tax expense for the years ended 30 June 2007 and 2006 are:

(a) Income statement

CURRENT INCOME TAX				
Current income tax charge	165.7	140.3	165.0	138.0
Adjustments in respect of current income tax of previous years	0.4	0.1	0.0	(0.9)
DEFERRED INCOME TAX				
Relating to origination and reversal of temporary differences	(5.0)	7.1	(3.2)	9.4
Income tax expense reported in the income statement	161.1	147.5	161.8	146.5

(b) Statement of recognised income and expense

DEFERRED INCOME TAX RELATED TO ITEMS CHARGED OR CREDITED DIRECTLY TO EQUITY				
Net (loss)/gain on revaluation of cash flow hedges	(0.6)	0.8	(0.6)	0.8
Net gain on revaluation of land and buildings	2.0	0.0	2.0	0.0
Net gain on actuarial gains/losses	127.9	140.3	127.9	140.3
Income tax expense reported in equity	129.3	141.1	129.3	141.1

(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the group's applicable income tax rate is as follows.

Accounting profit before income tax from continuing operations	561.7	515.6	557.7	502.9
Accounting profit before income tax	561.7	515.6	557.7	502.9
At the group's statutory income tax rate of 30% (30% in 2006)	168.5	154.7	167.3	150.9
Adjustments in respect of current income tax of previous years	0.4	0.1	0.0	(0.9)
Investment property	(1.4)	0.9	(1.4)	0.9
Unrecognised tax losses	0.5	0.3	0.0	0.0
Expenditure not allowable for income tax purposes	1.1	1.0	1.1	1.0
Share of net profits of joint venture entities	(9.8)	(9.3)	0.0	0.0
Dividend rebate	0.0	0.0	(6.9)	(6.4)
Sundry items	1.8	(0.2)	1.7	1.0
At effective income tax rate of 28.7% (corporation 29.0%) (28.6%, corporation 29.1% in 2006)	161.1	147.5	161.8	146.5
Income tax expense reported in income statement	161.1	147.5	161.8	146.5

05. INCOME TAX (CONT.)

(d) Recognised deferred income tax

Deferred income tax at 30 June relates to the following.

	Balance sheet 2007 $m	Balance sheet 2006 $m	Income statement 2007 $m	Income statement 2006 $m
CONSOLIDATED				
(i) Deferred income tax liabilities				
Accelerated depreciation for tax purposes	(35.5)	(29.5)	4.0	0.8
Superannuation asset	(533.3)	(405.4)	0.0	0.0
Sydney GPO lease receivable	(31.2)	(31.2)	0.0	0.2
International income	(30.8)	(32.9)	(2.1)	11.4
Net gain on revaluation of cash flow hedges	(0.2)	(0.8)	0.0	0.0
Fair value adjustments on acquisition	(1.8)	(2.2)	(0.4)	(0.5)
Sundry	(2.4)	(2.8)	(0.4)	0.2
Gross deferred income tax liabilities	(635.2)	(504.8)	1.1	12.1
(ii) Deferred income tax assets				
Provisions	193.6	187.0	(6.6)	(0.5)
Capital losses available for offset against future taxable income	6.9	7.5	0.6	0.0
Sydney GPO refurbishment	6.0	6.2	0.2	0.3
International expenditure	23.7	22.7	(1.0)	(5.0)
Government grant	4.2	4.5	0.3	0.8
Make good	13.5	14.4	0.9	0.3
Sundry	1.7	1.2	(0.5)	(0.9)
Gross deferred income tax assets	249.6	243.5	(6.1)	(5.0)
Deferred income tax benefit/(expense)			(5.0)	7.1
CORPORATION				
(i) Deferred income tax liabilities				
Accelerated depreciation for tax purposes	(35.8)	(29.4)	4.4	1.4
Superannuation asset	(533.3)	(405.4)	0.0	0.0
Sydney GPO lease receivable	(31.2)	(31.2)	0.0	0.2
International income	(30.8)	(32.9)	(2.1)	11.4
Net gain on revaluation of cash flow hedges	(0.2)	(0.8)	0.0	0.0
Sundry	(2.3)	(2.4)	(0.1)	(0.8)
Gross deferred income tax liabilities	(633.6)	(502.1)	2.2	12.2
(ii) Deferred income tax assets				
Provisions	190.9	185.6	(5.3)	(0.3)
Capital losses available for offset against future taxable income	6.9	7.5	0.6	0.0
Sydney GPO refurbishment	6.0	6.2	0.2	0.3
International expenditure	23.7	22.7	(1.0)	(5.0)
Government grant	4.2	4.5	0.3	0.8
Make good	13.0	13.8	0.8	0.5
Sundry	1.1	0.1	(1.0)	0.9
Gross deferred income tax assets	245.8	240.4	(5.4)	(2.8)
Deferred income tax benefit/(expense)			(3.2)	9.4

05. INCOME TAX (CONT.)

(e) Unrecognised temporary differences

At 30 June 2007, there is no recognised or unrecognised deferred income tax liability ($nil in 2006) for taxes that would be payable on the unremitted earnings of certain of the group's subsidiaries, associate or joint venture, as the group has no liability for additional taxation should such amounts be remitted.

(f) Tax consolidation

Australian Postal Corporation and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2004. Australian Postal Corporation is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their contribution to the actual tax payable by the head entity for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes* and UIG 1052 *Tax Consolidation Accounting*. Allocations under the tax funding agreement are made on an annual basis.

The allocation of taxes under the tax funding agreement is recognised as an increase / decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company, the Australian Postal Corporation. Because under UIG 1052 *Tax Consolidation Accounting* the allocation of current taxes to tax consolidated group members on the basis of accounting profits is not an acceptable method of allocation given the group's circumstances, the difference between the current tax amount that is allocated under the tax funding agreement and the amount that is allocated under an acceptable method is recognised as a contribution / distribution of the subsidiaries' equity accounts. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

All tax related contingencies are included in the schedule of contingencies.

	Consolidated		Corporation	
	2007 $m	2006 $m	2007 $m	2006 $m

06. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2007 $m	2006 $m	2007 $m	2006 $m
Goods and services receivable [1]	314.6	321.3	288.6	291.6
Provision for doubtful debts	(4.8)	(4.7)	(4.1)	(3.5)
	309.8	**316.6**	**284.5**	**288.1**
Finance lease receivable (refer to note 30 (ii))	6.5	6.5	6.5	6.5
Interest receivable	2.2	1.1	2.2	1.1
Derivative asset (refer to note 29 (d))	0.9	3.5	0.9	3.5
Trade receivables from controlled and joint venture entities (refer to note 28)	2.9	3.3	4.8	5.4
Other receivables [2]	12.4	12.0	11.5	12.3
Total current assets [3]	**334.7**	**343.0**	**310.4**	**316.9**
Receivables (gross) are aged as follows.				
Current	312.5	309.4	299.4	293.8
Overdue less than 30 days	15.4	23.4	6.8	16.4
Overdue 30–60 days	1.9	2.7	1.3	1.8
Overdue 61–90 days	1.1	0.6	0.6	0.3
Overdue more than 90 days	8.6	11.6	6.4	8.1
	339.5	**347.7**	**314.5**	**320.4**
The provision for doubtful debts is aged as follows.				
Current	0.3	0.4	0.3	0.4
Overdue less than 30 days	0.0	0.1	0.0	0.1
Overdue 30–60 days	0.1	0.0	0.1	0.0
Overdue 61–90 days	0.0	0.0	0.0	0.0
Overdue more than 90 days	4.4	4.2	3.7	3.0
	4.8	**4.7**	**4.1**	**3.5**

(1) Denominated in Australian dollars, are interest-free and are on settlement terms of between 10 and 30 days.

(2) Receivables are interest-free with various maturities.

(3) The carrying amount disclosed above is a reasonable approximation of fair value.

07. CURRENT ASSETS – INVENTORIES (HELD FOR SALE)

	2007 $m	2006 $m	2007 $m	2006 $m
Raw materials (at net realisable value)	0.6	0.7	0.6	0.7
Work in progress (at cost)	0.8	0.6	0.8	0.6
Finished goods (at net realisable value)	45.1	41.5	45.1	41.5
Total current inventories at lower of cost and net realisable value	**46.5**	**42.8**	**46.5**	**42.8**

Inventory benefit recognised totalled $0.2 million ($0.1 million in 2006) for the group and $0.2 million ($0.1 million in 2006) for the corporation. This benefit is included in the cost of sales line item as a cost of inventories. Refer to note 3.

08. OTHER CURRENT ASSETS

	2007 $m	2006 $m	2007 $m	2006 $m
Prepayments	52.9	52.7	50.8	50.7
Total other current assets	**52.9**	**52.7**	**50.8**	**50.7**

	Consolidated		Corporation	
	2007 $m	2006 $m	2007 $m	2006 $m

09. NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated 2007 $m	Consolidated 2006 $m	Corporation 2007 $m	Corporation 2006 $m
Loans to controlled and joint venture entities (refer to note 28 & note 29(e))	129.0	129.0	150.3	142.8
Finance lease receivable (refer to note 30 (ii))	97.6	97.6	97.6	97.6
Total non-current receivables	**226.6**	**226.6**	**247.9**	**240.4**

10. INVESTMENTS IN CONTROLLED ENTITIES

			Australian Postal Corporation investment amount		% of equity held by immediate parent	
	Note	Country of incorporation	2007 $m	2006 $m	2007 %	2006 %
Sprintpak Pty Ltd	*1*	Australia	1.0	1.0	100.0	100.0
Postcorp Developments Pty Ltd	*1*	Australia	0.1	0.1	100.0	100.0
Geospend Pty Ltd	*1*	Australia	1.2	1.2	100.0	100.0
corProcure Pty Ltd	*1*	Australia	0.1	0.1	100.0	100.0
Post Fulfilment Online Pty Ltd	*2*	Australia	–	–	100.0	100.0
SnapX Pty Ltd	*1*	Australia	8.6	8.6	100.0	100.0
Decipha Pty Ltd	*2*	Australia	1.9	1.9	100.0	100.0
AP International Holdings Pty Ltd	*1*	Australia	4.0	4.0	100.0	100.0
PostLogistics Pte Ltd	*3*	Hong Kong	–	–	100.0	–
Australia Post Transaction Services Pty Ltd	*1*	Australia	–	–	100.0	100.0
Post Logistics Australasia Pty Ltd (formerly J R Haulage Pty Ltd)	*2*	Australia	47.2	47.0	100.0	100.0
Lakewood Logistics Pty Ltd	*2*	Australia	–	–	75.0	75.0
Chainlink Computer Systems Pty Ltd	*1*	Australia	–	–	60.0	60.0
Printsoft Holdings Pty Ltd	*2*	Australia	13.7	13.7	100.0	100.0
Printsoft Development Pty Ltd	*2*	Australia	–	–	100.0	100.0
Printsoft Products Pty Ltd	*2*	Australia	–	–	100.0	100.0
Printsoft Americas, Inc	*3*	USA	–	–	100.0	100.0
Prinsoft Systems Ltd (formerly Program Products (Services) Ltd)	*3*	UK	–	–	100.0	100.0
PrintSoft Solutions Ltd	*3*	UK	–	–	100.0	100.0
Prinsoft Services Ltd	*3*	UK	–	–	100.0	100.0
Program Products SA	*3*	France	–	–	100.0	100.0
Printsoft Systems GmbH	*3*	Germany	–	–	100.0	100.0
Printsoft Slovenska Republic S.R.O	*3*	Slovak Republic	–	–	68.0	68.0
Printsoft Ceska Republic S.R.O	*3*	Czech Republic	–	–	72.0	72.0
Printsoft Italia SRL	*3*	Italy	–	–	100.0	100.0
Investments in controlled entities			**77.8**	**77.6**		

(1) These entities are incorporated in Australia and are small proprietary companies which have not been audited as they are not required to prepare and lodge audited financial statements with the Australian Securities and Investments Commission (ASIC).

(2) These entities are incorporated in Australia and are large proprietary companies required to lodge audited financial statements with ASIC.

(3) These entities are not audited by the Australian National Audit Office.

11. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Consolidated		Corporation	
	2007 $m	2006 $m	2007 $m	2006 $m
CARRYING AMOUNTS OF INVESTMENTS				
Balance at the beginning of the financial year	297.7	285.7	263.6	263.6
Share of profits for the year	32.7	31.5	0.0	0.0
Actuarial gain/(loss) on defined benefit plans	2.6	2.6	0.0	0.0
Share of foreign currency translation reserve	(0.2)	0.1	0.0	0.0
Share of hedging reserve	(0.6)	0.1	0.0	0.0
Dividends received/receivable	(23.5)	(22.3)	0.0	0.0
Balance at the end of the financial year	308.7	297.7	263.6	263.6

				Ownership interest	
Name	Principal activity	Country of incorporation	Balance date	2007 %	2006 %
Australian air Express Pty Ltd – ordinary shares	Express air freight	Australia	30 June	50.0	50.0
iPrint Corporate Pty Ltd – ordinary shares	Printing services	Australia	30 June	50.0	50.0
Star Track Express Holdings Pty Ltd – ordinary shares	Express freight	Australia	30 June	50.0	50.0
Sai Cheng Logistics International Company Limited – ordinary shares (2)	International 4PL logistics services	China	31 Dec	49.0	49.0
Multi Media Logistics Pty Ltd – ordinary shares (1)	Logistics services	Australia	30 June	50.0	50.0
Wetherill Park Partnership	Warehousing facilities	Australia	30 June	50.0	50.0

(1) This investment is held by the corporation's 100 per cent owned subsidiary Post Logistics Australasia Pty Ltd (formerly JR Haulage Pty Ltd).

(2) This investment is held by the corporation's 100 per cent owned subsidiary AP International Holdings Pty Ltd.

11. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (CONT.)

	Consolidated 2007 $m	Consolidated 2006 $m
INVESTMENTS IN JOINTLY CONTROLLED ENTITIES		
SHARE OF JOINTLY CONTROLLED ENTITIES' PROFITS		
Revenues	611.6	562.5
Expenses	(564.9)	(517.4)
Net profits before income tax	46.7	45.1
Income tax expense	(14.0)	(13.6)
Net profits after income tax	**32.7**	**31.5**
SHARE OF ASSETS AND LIABILITIES		
Current assets	88.7	79.4
Non-current assets	434.1	419.2
Total assets	522.8	498.6
Current liabilities	(67.2)	(53.4)
Non-current liabilities	(146.9)	(147.5)
Total liabilities	(214.1)	(200.9)
Net assets	**308.7**	**297.7**
RETAINED PROFITS OF THE CONSOLIDATED ENTITY ATTRIBUTABLE TO THE JOINTLY CONTROLLED ENTITIES		
Balance at the beginning of the financial year	30.0	18.2
Share of profits for the year	32.7	31.5
Actuarial gains	2.6	2.6
Dividends received / receivable	(23.5)	(22.3)
Balance at the end of the financial year	**41.8**	**30.0**

The group's investments in the jointly controlled entities were not impaired during the year ($nil in 2006).

The consolidated entity's share of the jointly controlled entities' commitments and contingent liabilities are included in the schedule of commitments and the schedule of contingencies respectively.

12. SUPERANNUATION

(i) *Superannuation plan*

The corporation is an employer sponsor of the Australia Post Superannuation Scheme (APSS), of which almost all of its employees are members. The APSS provides employer-financed defined benefits to all employees who are members and member-financed accumulation benefits to those who elect. Some of the corporation's current and past employees are also entitled to benefits under the *Superannuation Act 1976* but the corporation has no contribution obligation in respect of these benefits. A small percentage of Australia Post employees have elected not to be members of the APSS and are not entitled to benefits under the *Superannuation Act 1976*. Australia Post pays the Superannuation Guarantee contribution to the nominated superannuation funds of these employees. The consolidated amounts shown below are materially consistent with the corporation.

(ii) *Amount recognised in the income statement*

	Consolidated	
	2007 $m	2006 $m
Current service cost	191.5	196.0
Interest cost on benefit obligation	279.8	237.3
Expected return on plan assets	(418.5)	(358.1)
Plan expenses	9.6	9.3
Contributions tax reserve	11.0	14.9
Net superannuation expense	73.4	99.4

(iii) *Amount recognised in the balance sheet*

	Consolidated		
	2007 $m	2006 $m	2005 $m
Present value of benefit obligation (wholly funded)	(5,003.4)	(4,544.9)	(4,171.0)
Fair value of plan assets	6,514.5	5,693.4	4,922.1
Contribution tax reserve	266.7	202.8	132.5
Net superannuation asset – non-current [1]	1,777.8	1,351.3	883.6

(1) Australia Post's entitlement to any surplus in the fund is limited by the terms of the relevant trust deed and applicable superannuation laws. On termination, any money and other assets remaining in the fund after the payment of benefits and expenses of the fund would ultimately be realised and the proceeds distributed to the employers (including Australia Post) in such shares as determined by Australia Post. Outside termination, there is scope for Australia Post to request a return of surplus, which may be no more than the amount (as determined by the fund's actuary) by which the total fund value exceeds the total accrued benefit value. In addition, Australia Post benefits from the surplus through reduction in future superannuation expense and contributions.

(iv) *Reconciliations*

	2007 $m	2006 $m
Changes in the present value of the defined benefit obligation are as follows		
Opening defined benefit obligation at 1 July	4,544.9	4,171.0
Interest cost	279.8	237.3
Current service cost	191.5	196.0
Benefits paid	(256.4)	(239.6)
Member contributions	59.1	56.0
Actuarial losses on obligation	184.5	124.2
Closing defined benefit obligation at 30 June	5,003.4	4,544.9
Changes in the fair value of the plan assets are as follows		
Opening fair value of plan assets at 1 July	5,693.4	4,922.1
Expected return	418.5	358.1
Contributions by employer	73.4	99.4
Member contributions	59.1	56.0
Benefits paid	(256.4)	(239.6)
Actuarial gains	547.1	521.7
Plan expenses	(9.6)	(9.3)
Contribution tax	(11.0)	(15.0)
Fair value of plan assets at 30 June	6,514.5	5,693.4

12. SUPERANNUATION (CONT.)

(v) Categories of plan assets

	Consolidated	
	2007 (%)	2006 (%)
The major categories of plan assets as a percentage of the fair value of total plan assets are as follows		
Public market equities	19%	22%
Public market debt	25%	29%
Real estate	29%	24%
Other	27%	25%

The expected rate of return on assets is determined based on the valuation of assets prevailing on that date, applicable to the period over which the obligation is to be settled. There are no in-house assets included in the fair value of the APSS assets. However, there may be an immaterial amount of indirect investments in shopping centres where the corporation has leased certain areas for PostShops.

(vi) Actual return on plan assets

	2007 $m	2006 $m
Actual return on plan assets	1,065.0	802.0

(vii) Cumulative actuarial gains and losses

Actuarial gains recognised in the year in the statement of recognised income and expense	(362.6)	(397.5)
Contributions tax	(64.0)	(70.1)
	(426.6)	(467.6)
Cumulative actuarial gains recognised in the statement of recognised income and expense	(904.1)	(477.5)

	Consolidated		
	2007 $m	2006 $m	2005 $m
(viii) Experience adjustments			
Experience adjustments on plan liabilities	(308.8)	(240.0)	(171.2)
Experience adjustments on plan assets	547.1	521.7	312.7

12. SUPERANNUATION (CONT.)

(ix) Actuarial reports

	2007 $m	2006 $m
Details of the defined pension plan as extracted from the plan's most recent financial report		
Net market value of assets held by the APSS to meet future benefit payments	6,514.5	5,693.4
Present value of employees' accrued benefits	(5,092.1)	(4,434.6)
Excess of assets held to meet future benefit payments over the present value of employees' accrued benefits	1,422.4	1,258.8

Comprehensive actuarial valuations are made at no more than three yearly intervals, and the last such assessment was made as at 30 June 2006. The actuary to the Australia Post Superannuation Scheme is Dr A J Goddard (FIAA, FIA) of Russell Employee Benefits Pty Ltd. Annual actuarial updates are also obtained.

The objective of the valuation and the annual actuarial update is to ensure that the benefit entitlements of employees are fully funded by the time they become payable.

The corporation reviews contribution strategy annually. Under the trust deed, contributions are determined by the corporation on the advice of the scheme's actuary after consultation with the trustee, having regard to the assets and liabilities of the scheme. Funding recommendations made by the actuary are based on assumptions of various matters such as future salary levels, mortality rates, membership turnover and interest rates. The assumptions are shown below for 2006 and 2007. The actuary's current contribution recommendation has been made using the projected unit credit funding method, which entails contributions being paid based on the corporation's superannuation expense. The group expects on this basis to contribute approximately $35 million to its defined benefit pension plan in 2007/08.

(x) Actuarial assumptions

The principal actuarial assumptions used in determining superannuation obligations for the group's plan are shown below (expressed as weighted averages).

	Consolidated	
	2007 %	2006 %
Discount rate after tax	5.3	4.3
Expected after tax rate of return on assets	7.8	7.4
Future salary increases	5.0	5.0

(xi) Superannuation Act 1976

The superannuation liability under the *Superannuation Act 1976* is recognised in the financial statements of the Commonwealth and is settled by the Commonwealth in due course. The Commonwealth takes full responsibility for the CSS liabilities for any Australia Post employees (past and present) remaining in the CSS.

Disclosures regarding the CSS Scheme are located in the Department of Finance and Administration (Finance) Annual Financial Report.

13. ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

Consolidated	Land $m	Buildings $m	Total land & buildings $m	Plant & equipment $m	Total $m
Reconciliation of the opening and closing balances of property, plant and equipment					
Gross book value	164.1	888.6	1,052.7	1,155.1	2,207.8
Accumulated depreciation	0.0	(344.2)	(344.2)	(639.3)	(983.5)
Net book value at 30 June 2005	164.1	544.4	708.5	515.8	1,224.3
Additions	27.4	52.5	79.9	97.1	177.0
Additions through acquisition of subsidiary	0.0	0.0	0.0	0.6	0.6
Depreciation	0.0	(45.6)	(45.6)	(91.4)	(137.0)
Disposals	(0.4)	(0.3)	(0.7)	(9.7)	(10.4)
Transfers to investment properties	(1.0)	(1.2)	(2.2)	0.0	(2.2)
Gross book value	190.1	911.5	1,101.6	1,191.0	2,292.6
Accumulated depreciation	0.0	(361.7)	(361.7)	(678.6)	(1,040.3)
Net book value at 30 June 2006 (1)	**190.1**	**549.8**	**739.9**	**512.4**	**1,252.3**
Additions	26.6	58.0	84.6	120.6	205.2
Depreciation	0.0	(47.4)	(47.4)	(88.8)	(136.2)
Disposals	(0.1)	(0.9)	(1.0)	(9.5)	(10.5)
Net revaluation increment	6.8	0.0	6.8	0.0	6.8
Transfers to intangibles	0.0	0.0	0.0	(0.5)	(0.5)
Transfers to investment properties	(9.8)	0.0	(9.8)	0.0	(9.8)
Gross book value	213.6	950.4	1,164.0	1,252.0	2,416.0
Accumulated depreciation	0.0	(390.9)	(390.9)	(717.8)	(1,108.7)
Net book value at 30 June 2007 (1) (2)	**213.6**	**559.5**	**773.1**	**534.2**	**1,307.3**

(1) Were the entity to apply the fair value methodology, the net book value of land and buildings would be $1,480.4 million ($1,303.4 million in 2006).
(2) Land and buildings include investment properties under construction of $14.1 million ($nil in 2006).

Reconciliation of the opening and closing balances of plant and equipment assets held under finance lease included in the net book value of assets					
As at 30 June 2005	0.0	0.0	0.0	86.8	86.8
Depreciation	0.0	0.0	0.0	(9.8)	(9.8)
As at 30 June 2006	0.0	0.0	0.0	77.0	77.0
Depreciation	0.0	0.0	0.0	(9.4)	(9.4)
As at 30 June 2007	**0.0**	**0.0**	**0.0**	**67.6**	**67.6**

13. ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT (CONT.)

Corporation	Land $m	Buildings $m	Total land & buildings $m	Plant & equipment $m	Total $m
Reconciliation of the opening and closing balances of property, plant and equipment					
Gross book value	164.1	887.4	1,051.5	1,138.0	2,189.5
Accumulated depreciation	0.0	(344.2)	(344.2)	(634.8)	(979.0)
Net book value at 30 June 2005	**164.1**	**543.2**	**707.3**	**503.2**	**1,210.5**
Additions	27.4	52.2	79.6	93.4	173.0
Depreciation	0.0	(45.6)	(45.6)	(87.2)	(132.8)
Disposals	(0.4)	(0.2)	(0.6)	(9.4)	(10.0)
Transfers to investment properties	(1.0)	(1.2)	(2.2)	0.0	(2.2)
Gross book value	190.1	910.2	1,100.3	1,169.6	2,269.9
Accumulated depreciation	0.0	(361.8)	(361.8)	(669.6)	(1,031.4)
Net book value at 30 June 2006 (1)	**190.1**	**548.4**	**738.5**	**500.0**	**1,238.5**
Additions	26.6	56.7	83.3	112.3	195.6
Depreciation	0.0	(47.0)	(47.0)	(84.3)	(131.3)
Disposals	(0.1)	(0.9)	(1.0)	(9.5)	(10.5)
Net revaluation increment	6.8	0.0	6.8	0.0	6.8
Transfers to investment properties	(12.3)	0.0	(12.3)	0.0	(12.3)
Gross book value	211.1	947.8	1,158.9	1,222.8	2,381.7
Accumulated depreciation	0.0	(390.6)	(390.6)	(704.3)	(1,094.9)
Net book value at 30 June 2007 (1) (2)	**211.1**	**557.2**	**768.3**	**518.5**	**1,286.8**

(1) Were the entity to apply the fair value methodology, the net book value of land and buildings would be $1,475.6 million ($1,302.0 million in 2006).
(2) Land and buildings include investment properties under construction of $14.1 million ($nil in 2006).

	Land $m	Buildings $m	Total land & buildings $m	Plant & equipment $m	Total $m
Reconciliation of the opening and closing balances of plant and equipment assets held under finance lease included in the net book value of assets					
As at 30 June 2005	0.0	0.0	0.0	86.8	86.8
Depreciation	0.0	0.0	0.0	(9.8)	(9.8)
As at 30 June 2006	0.0	0.0	0.0	77.0	77.0
Depreciation	0.0	0.0	0.0	(9.4)	(9.4)
As at 30 June 2007	**0.0**	**0.0**	**0.0**	**67.6**	**67.6**

14. ANALYSIS OF INTANGIBLES

Consolidated	Computer software $m	Goodwill $m	Other intangibles $m	Total intangibles $m
Reconciliation of the opening and closing balances of intangibles				
Gross book value	462.2	47.7	9.8	519.7
Accumulated amortisation	(392.6)	0.0	(0.4)	(393.0)
Net book value as at 30 June 2005	**69.6**	**47.7**	**9.4**	**126.7**
Additions by purchase	50.9	0.0	1.1	52.0
Additions through acquisition of entity [(1)]	0.0	8.9	1.2	10.1
Amortisation expense	(29.5)	0.0	(2.4)	(31.9)
Disposals	(0.9)	0.0	0.0	(0.9)
Gross book value	509.6	56.6	12.1	578.3
Accumulated amortisation	(419.5)	0.0	(2.8)	(422.3)
Net book value as at 30 June 2006	**90.1**	**56.6**	**9.3**	**156.0**
Additions by purchase [(1)]	60.8	11.2	2.5	74.5
Amortisation expense	(35.2)	0.0	(2.9)	(38.1)
Disposals	(0.3)	0.0	0.0	(0.3)
Transfers	0.5	0.0	0.0	0.5
Gross book value	545.0	67.8	14.6	627.4
Accumulated amortisation	(429.1)	0.0	(5.7)	(434.8)
Net book value as at 30 June 2007	**115.9**	**67.8**	**8.9**	**192.6**

(1) Included in the goodwill amount is $0.7 million ($0.4 million in 2006) relating to acquisition costs associated with acquisitions that occurred in 2005.

Corporation	Computer software $m	Goodwill $m	Other intangibles $m	Total intangibles $m
Reconciliation of the opening and closing balances of intangibles				
Gross book value	460.5	1.9	0.0	462.4
Accumulated amortisation	(392.1)	0.0	0.0	(392.1)
Net book value as at 30 June 2005	**68.4**	**1.9**	**0.0**	**70.3**
Additions by purchase	50.8	0.0	0.0	50.8
Amortisation expense	(29.0)	0.0	0.0	(29.0)
Disposals	(0.9)	0.0	0.0	(0.9)
Gross book value	507.8	1.9	0.0	509.7
Accumulated amortisation	(418.5)	0.0	0.0	(418.5)
Net book value as at 30 June 2006	**89.3**	**1.9**	**0.0**	**91.2**
Additions by purchase	60.6	10.5	0.0	71.1
Amortisation expense	(34.6)	0.0	0.0	(34.6)
Disposals	(0.3)	0.0	0.0	(0.3)
Gross book value	542.5	12.4	0.0	554.9
Accumulated amortisation	(427.5)	0.0	0.0	(427.5)
Net book value as at 30 June 2007	**115.0**	**12.4**	**0.0**	**127.4**

Goodwill is not amortised but is subject to annual impairment testing (refer to note 16).

15. INVESTMENT PROPERTIES

	Consolidated		Corporation	
	2007 $m	2006 $m	2007 $m	2006 $m
Opening balance as at 1 July	95.6	89.8	95.6	89.8
Additions	5.5	0.3	5.5	0.3
Net transfer to investment properties	9.8	2.2	12.3	2.2
Disposals	(2.0)	(0.5)	(2.0)	(0.5)
Net gain from fair value adjustments	18.2	3.8	18.6	3.8
Closing balance as at 30 June	**127.1**	**95.6**	**130.0**	**95.6**

Investment properties are stated at fair value, which has been determined based on valuations performed by Chesterton International (Qld) Pty Ltd for all property in Queensland, and Savills Pty Ltd for all remaining property as at 30 June 2007 and 30 June 2006. The fair value considers the capitalised rental streams where the property is leased to a third party and the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation, in accordance with Australian Valuation Standards.

16. IMPAIRMENT TESTING OF GOODWILL

	Consolidated		Corporation	
	2007 $m	2006 $m	2007 $m	2006 $m
Goodwill acquired through business combinations has been allocated to individual cash generating units as follows				
Post Logistics Australasia (formerly JR Haulage)	38.4	38.3	0.0	0.0
Messenger Post Couriers	19.9	9.8	12.0	1.9
The PrintSoft Group	9.1	8.5	0.0	0.0
Other	0.4	0.0	0.4	0.0
	67.8	**56.6**	**12.4**	**1.9**

The recoverable amount of all goodwill has been determined based on a value-in-use calculation using cash flow forecasts extracted from three-year corporate plans approved by senior management and the board. The forecasts are extrapolated for a further two years and a terminal value is applied. Revenue growth rates applied by all cash-generating units to the two-year period outside the corporate plan are 4.5 per cent. After this period a 1.0 per cent to 2.0 per cent revenue growth rate is applied. A pre-tax discount rate applicable to the specific cash-generating unit has been applied. These rates are between 9.0 per cent and 11.0 per cent.

	Consolidated 2007 $m	Consolidated 2006 $m	Corporation 2007 $m	Corporation 2006 $m
17. OTHER FINANCIAL ASSETS				
Prepayments	4.0	3.9	3.9	3.9
Other receivables	1.0	1.0	1.0	1.0
Total other financial assets	**5.0**	**4.9**	**4.9**	**4.9**
18. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES				
Trade creditors (1)	297.7	264.5	290.5	256.4
OTHER				
Agency creditors (1)	229.8	212.8	229.8	212.8
Salaries and wages	35.1	33.0	33.6	32.4
Borrowing costs (2)	8.7	7.7	8.7	7.7
Unearned postage revenue	55.4	55.4	55.4	55.3
Other advance receipts	73.6	64.2	70.0	61.6
Deferred government grant income	13.9	15.1	13.9	15.1
Payables to controlled and joint venture entities (refer to note 28)	14.1	10.0	14.1	10.0
Financial guarantees (3)	0.3	0.4	0.3	0.4
Other payables	41.1	33.9	30.3	27.5
	472.0	432.5	456.1	422.8
Total current payables (4)	**769.7**	**697.0**	**746.6**	**679.2**

(1) Trade creditors and agency creditors are non-interest bearing and normally settled on 30-day and next-business-day terms respectively.

(2) Borrowing costs are normally settled on a half-yearly basis throughout the financial year.

(3) As described in note 1(gg), the group has provided financial guarantees to third parties, which commit the group to make payments on behalf of these parties upon their failure to perform under the terms of the relevant contract. The significant account estimates and / or assumptions used in determining the fair value of the guarantees has been disclosed in note 1(gg).

(4) The carrying amount disclosed above is a reasonable approximation of fair value.

19. INTEREST-BEARING LIABILITIES

	Consolidated 2007 $m	Consolidated 2006 $m	Corporation 2007 $m	Corporation 2006 $m
CURRENT				
Fixed rate unsecured bonds payable – within one year	0.0	229.1	0.0	229.1
Interest rate swaps – within one year	0.0	1.1	0.0	1.1
Finance lease and hire purchase liabilities payable – within one year	0.8	1.1	0.0	0.0
Total current interest-bearing liabilities	**0.8**	**231.3**	**0.0**	**230.2**
NON-CURRENT				
Fixed-rate unsecured bonds payable – in one to five years	519.6	298.8	519.6	298.8
Interest rate swaps – in one to five years	10.0	2.3	10.0	2.3
Finance lease and hire purchase liabilities payable – in one to five years	0.8	1.6	0.0	0.0
Total non-current interest-bearing liabilities	**530.4**	**302.7**	**529.6**	**301.1**

The effective interest rate is between 5.6 per cent and 6.6 per cent (5.6 per cent and 6.0 per cent in 2006)

Fair value disclosures

Details of the fair value of the group's interest-bearing liabilities are set out in note 29.

$530 million bonds

These bonds are unsecured and repayable in full, with $300 million maturing on 25 March 2009 and the remaining $230 million due on 23 March 2012.

Interest rate swaps

At 30 June 2007, the corporation had interest-rate swap agreements in place with a notional amount of $530 million. It receives a fixed rate of interest of 6.25 per cent on the $230 million tranche and pays a variable rate equal to the six-monthly BBSW minus 6.75 basis points on the notional amount. The corporation receives a fixed 6.0 per cent on the $300 million tranche and pays a variable rate equal to the six-monthly BBSW on the notional amount. The swaps are being used to hedge the exposure to changes in the fair value of the $530 million bonds. The bonds and the interest rate swaps have the same critical terms.

20. PROVISIONS

	Consolidated		Corporation	
	2007 $m	2006 $m	2007 $m	2006 $m
CURRENT PROVISIONS				
Annual leave	182.4	174.3	178.5	171.3
Long service leave	265.3	253.6	264.3	252.9
Workers' compensation	32.5	31.2	32.5	31.2
Separations and redundancies	4.5	6.0	4.4	6.0
Other employee	28.6	23.0	28.1	22.1
Balance at 30 June 2007	513.3	488.1	507.8	483.5
NON-CURRENT PROVISIONS				
Long service leave	37.5	37.1	36.5	35.8
Workers' compensation	82.4	89.5	82.4	89.5
Make good (1)	45.6	48.0	43.2	46.0
Balance at 30 June 2007	165.5	174.6	162.1	171.3
Total provisions	678.8	662.7	669.9	654.8

(1) Provision is made for the estimated cost to make good operating leases entered into by the group. The estimated cost is based on management's best estimate of the cost to restore a square metre of floor space and is dependent on the nature of the building being leased.

MOVEMENTS IN PROVISIONS

	Consolidated		Corporation	
	2007 $m	2006 $m	2007 $m	2006 $m
Movements in the make good provision during the financial year, are set out below				
MAKE GOOD PROVISION				
Balance at 1 July	48.0	49.4	46.0	47.5
Reassessments and additions	(0.2)	1.5	(0.6)	1.4
Unused amount reversed	(2.3)	(2.3)	(2.2)	(2.3)
Payments made	(0.5)	(1.5)	(0.5)	(1.5)
Unwinding and discount rate adjustment	0.6	0.9	0.5	0.9
Balance at 30 June	45.6	48.0	43.2	46.0

21. NON-CURRENT LIABILITIES – PAYABLES

	Consolidated		Corporation	
	2007 $m	2006 $m	2007 $m	2006 $m
Deferred interest	0.3	0.3	0.3	0.3
Loans from controlled entities (refer to note 28)	0.0	0.0	1.2	1.2
Other payables	6.1	4.8	6.1	0.0
Total non-current payables	6.4	5.1	7.6	1.5

22. ANALYSIS OF TOTAL EQUITY

	Total reserves (note 23) $m	Contributed equity $m	Retained profits $m	Minority interest $m	Total equity $m
CONSOLIDATED					
Balance at 1 July 2005	–	400.0	1,571.1	–	1,971.1
Adjustment on adoption of AASB 2005-9	–	–	(0.4)	–	(0.4)
Adjustment on adoption of AASB 132 and AASB 139	2.8	–	(1.0)	–	1.8
Tax effect on adoption of AASB 132 and AASB 139	(0.6)	–	–	–	(0.6)
Operating profit	–	–	367.9	0.2	368.1
Translation differences on group operations	0.1	–	–	–	0.1
Net actuarial gains and losses	–	–	327.4	–	327.4
Joint venture actuarial gains and losses	–	–	2.6	–	2.6
Minority interest acquired	–	–	–	0.2	0.2
Movement in joint venture reserves	(0.7)	–	–	–	(0.7)
Revaluation of cash flow hedge – gross	1.0	–	–	–	1.0
Deferred tax	(0.3)	–	–	–	(0.3)
Transfer to net profit on cash flow hedge – gross	(0.3)	–	–	–	(0.3)
Deferred tax	0.1	–	–	–	0.1
Dividends (refer to note 24)	–	–	(282.5)	–	(282.5)
Balance at 30 June 2006	**2.1**	**400.0**	**1,985.1**	**0.4**	**2,387.6**
Operating profit	–	–	400.7	(0.1)	400.6
Translation differences on group operations	(0.2)	–	–	–	(0.2)
Net actuarial gains and losses	–	–	298.5	–	298.5
Joint venture actuarial gains and losses	–	–	2.6	–	2.6
Movement in joint venture reserves	(0.8)	–	–	–	(0.8)
Revaluation – land and buildings	6.8	–	–	–	6.8
Deferred tax	(2.0)	–	–	–	(2.0)
Revaluation of cash flow hedge - gross	(2.6)	–	–	–	(2.6)
Deferred tax	0.8	–	–	–	0.8
Transfer to net profit on cash flow hedge - gross	0.7	–	–	–	0.7
Deferred tax	(0.2)	–	–	–	(0.2)
Dividends (refer to note 24)	–	–	(279.4)	–	(279.4)
Balance at 30 June 2007	**4.6**	**400.0**	**2,407.5**	**0.3**	**2,812.4**
CORPORATION					
Balance at 1 July 2005	–	400.0	1,559.5	–	1,959.5
Adjustment on adoption of AASB 2005-9	–	–	(0.4)	–	(0.4)
Adjustment on adoption of AASB 132 and AASB 139	2.0	–	(1.0)	–	1.0
Tax effect on adoption of AASB 132 and AASB 139	(0.6)	–	–	–	(0.6)
Operating profit	–	–	356.4	–	356.4
Net actuarial gains and losses	–	–	327.4	–	327.4
Revaluation of cash flow hedge – gross	1.0	–	–	–	1.0
Deferred tax	(0.3)	–	–	–	(0.3)
Transfer to net profit on cash flow hedge – gross	(0.3)	–	–	–	(0.3)
Deferred tax	0.1	–	–	–	0.1
Dividends (refer to note 24)	–	–	(282.5)	–	(282.5)
Balance at 30 June 2006	**1.9**	**400.0**	**1,959.4**	**–**	**2,361.3**
Operating profit	–	–	395.9	–	395.9
Net actuarial gains and losses	–	–	298.5	–	298.5
Revaluation – land and buildings	6.8	–	–	–	6.8
Deferred tax	(2.0)	–	–	–	(2.0)
Revaluation of cash flow hedge – gross	(2.6)	–	–	–	(2.6)
Deferred tax	0.8	–	–	–	0.8
Transfer to net profit on cash flow hedge – gross	0.7	–	–	–	0.7
Deferred tax	(0.2)	–	–	–	(0.2)
Dividends (refer to note 24)	–	–	(279.4)	–	(279.4)
Balance at 30 June 2007	**5.4**	**400.0**	**2,374.4**	**–**	**2,779.8**

23. ANALYSIS OF RESERVES

	Asset revaluation reserve (1) $m	Foreign currency translation reserve (2) $m	Hedging reserve (3) $m	Total reserves $m
CONSOLIDATED				
Balance at 1 July 2005	–	–	–	–
Adjustment on adoption of AASB 132 and AASB 139	–	–	2.8	2.8
Tax effect on adoption of AASB 132 and AASB 139	–	–	(0.6)	(0.6)
Translation differences on group operations	–	0.1	–	0.1
Movement in joint venture reserves	–	–	(0.7)	(0.7)
Revaluation of cash flow hedge – gross	–	–	1.0	1.0
Deferred tax	–	–	(0.3)	(0.3)
Transfer to net profit on cash flow hedge – gross	–	–	(0.3)	(0.3)
Deferred tax	–	–	0.1	0.1
Balance at 30 June 2006	–	0.1	2.0	2.1
Translation differences on group operations	–	(0.2)	–	(0.2)
Movement in joint venture reserves	–	(0.2)	(0.6)	(0.8)
Revaluation – land and buildings	6.8	–	–	6.8
Deferred tax	(2.0)	–	–	(2.0)
Revaluation of cash flow hedge – gross	–	–	(2.6)	(2.6)
Deferred tax	–	–	0.8	0.8
Transfer to net profit on cash flow hedge – gross	–	–	0.7	0.7
Deferred tax	–	–	(0.2)	(0.2)
Balance at 30 June 2007	4.8	(0.3)	0.1	4.6
CORPORATION				
Balance at 1 July 2005	–	–	–	–
Adjustment on adoption of AASB 132 and AASB 139	–	–	2.0	2.0
Tax effect on adoption of AASB 132 and AASB 139	–	–	(0.6)	(0.6)
Revaluation of cash flow hedge – gross	–	–	1.0	1.0
Deferred tax	–	–	(0.3)	(0.3)
Transfer to net profit on cash flow hedge – gross	–	–	(0.3)	(0.3)
Deferred tax	–	–	0.1	0.1
Balance at 30 June 2006	–	–	1.9	1.9
Revaluation – land and buildings	6.8	–	–	6.8
Deferred tax	(2.0)	–	–	(2.0)
Revaluation of cash flow hedge – gross	–	–	(2.6)	(2.6)
Deferred tax	–	–	0.8	0.8
Transfer to net profit on cash flow hedge – gross	–	–	0.7	0.7
Deferred tax	–	–	(0.2)	(0.2)
Balance at 30 June 2007	4.8	–	0.6	5.4

(1) The asset revaluation reserve relates to the revaluation of land and buildings before its reclassification as investment property.

(2) The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(3) This hedging reserve records the portion of the gain or loss on a cash flow hedge that is determined to be effective.

24. DIVIDENDS PAID

	Consolidated		Corporation	
	2007 $m	2006 $m	2007 $m	2006 $m
Final ordinary dividend (from prior year results)	140.8	156.0	140.8	156.0
Interim ordinary dividend	138.6	126.5	138.6	126.5
Total dividends paid	**279.4**	**282.5**	**279.4**	**282.5**
Dividend not recognised as a liability (refer to note 33)	158.3	140.8	158.3	140.8

25. AUDITOR'S REMUNERATION

	2007 $	2006 $	2007 $	2006 $
Amounts received or due and receivable by the corporation's auditor[1] for:				
▪ an audit or review of the financial report of the entity and any other entity in the consolidated entity	1,137,000	1,183,000	1,024,000	1,071,000
▪ other services in relation to the entity and any other entity in the consolidated entity				
▫ assurance related	200,000	130,000	200,000	130,000
▫ special audits required by regulators	110,000	165,000	110,000	165,000
Total auditor's remuneration	**1,447,000**	**1,478,000**	**1,334,000**	**1,366,000**

(1) The corporation's auditor is the Australian National Audit Office, which has retained Ernst & Young (Australia) to assist with the assignment.

26. SEGMENT INFORMATION

The group's primary segment reporting format is business segments, as the group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary segment information is reported geographically.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

The following represent the segments the group operates in.

Letters

The collection, processing and distribution of letters and associated services.

Parcels & logistics

The processing and distribution of parcels, and the provision of associated logistical services.

Retail & agency services

Provision of postal products and services, agency services and other retail merchandise – principally stationery, telephony, greeting cards, gifts and souvenirs.

Other and unallocated

Includes other non-product services, none of which constitutes separately reportable segments, and unallocated items.

26. SEGMENT INFORMATION (CONT.)

Business segments

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2007 and 30 June 2006.

2007	Letters $m	Parcels & logistics $m	Retail & agency services $m	Other and unallocated $m	Total $m
REVENUE					
Revenue and other income	2,679.0	1,198.9	681.0	78.9	4,637.8
Inter-segment sales	–	–	–	–	–
Total segment revenue	2,679.0	1,198.9	681.0	78.9	4,637.8
Interest revenue					40.6
Consolidated revenue					4,678.4
RESULT					
Segment result	160.0	223.2	86.6	52.5	522.3
Share of net profits of equity accounted joint venture entities	–	32.7	–	–	32.7
Profit before interest and income tax expense	160.0	255.9	86.6	52.5	555.0
Income tax expense					(161.1)
Net interest					6.7
Net profit for period					400.6
ASSETS					
Segment assets	1,257.8	757.3	463.4	925.5	3,404.0
Superannuation asset	–	–	–	1,777.8	1,777.8
Investments in joint ventures	–	307.4	–	1.3	308.7
Total assets	1,257.8	1,064.7	463.4	2,704.6	5,490.5
LIABILITIES					
Segment liabilities	847.7	264.4	355.4	1,210.6	2,678.1
Acquisitions of PP&E and intangible assets	156.7	81.2	18.8	28.5	285.2
Depreciation and amortisation expense	111.6	43.7	15.9	3.1	174.3
Change in value of investment properties	–	–	–	(18.2)	(18.2)
Other non-cash expenses	111.6	43.7	15.9	(15.1)	156.1

26. SEGMENT INFORMATION (CONT.)

2006	Letters $m	Parcels & logistics $m	Retail & agency services $m	Other and unallocated $m	Total $m
REVENUE					
Revenue and other income	2,634.8	1,095.8	670.6	63.4	4,464.6
Inter-segment sales	–	–	–	–	–
Total segment revenue	2,634.8	1,095.8	670.6	63.4	4,464.6
Interest revenue					34.0
Consolidated revenue					4,498.6
RESULT					
Segment result	174.6	189.5	85.8	32.1	482.0
Share of net profits of equity accounted joint venture entities	–	31.0	–	0.5	31.5
Profit before interest and income tax expense	174.6	220.5	85.8	32.6	513.5
Income tax expense					(147.5)
Net interest					2.1
Net profit for period					368.1
ASSETS					
Segment assets	1,237.0	721.0	426.2	775.2	3,159.4
Superannuation asset	–	–	–	1,351.3	1,351.3
Investments in joint ventures	–	296.2	–	1.5	297.7
Total assets	1,237.0	1,017.2	426.2	2,128.0	4,808.4
LIABILITIES					
Segment liabilities	793.1	229.8	329.2	1,068.7	2,420.8
Acquisitions of PP&E and intangible assets	163.9	51.5	24.1	0.2	239.7
Depreciation and amortisation expense	110.7	40.1	16.5	1.6	168.9
Change in value of investment properties	–	–	–	(3.8)	(3.8)
Other non-cash expenses	110.7	40.1	16.5	(2.2)	165.1

Geographical segments

The group primarily operates in Australia, with no significant portion of assets or operations located outside of Australia.

Accounting policies

Segment accounting policies are the same as described in note 1.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment, computer software and goodwill, net of related provisions. Segment liabilities consist primarily of trade and other creditors, employee entitlements and advance receipts.

Inter-segment sales and transfers

Segment revenue, expenses and results include sales and transfers between segments. Such transactions generally are priced on an arm's length basis and are eliminated on consolidation

26. SEGMENT INFORMATION (CONT.)

Use of fair value accounting

As outlined in note 1 to these accounts, the group uses cost as the basis for valuing land and buildings for its statutory accounts. Were fair values applied to land and buildings, the total segment assets would be as follows.

	2007 $m	2006 $m
Letters	1,665.1	1,555.3
Parcels & logistics	1,162.4	1,097.7
Retail & agency services	553.6	494.3
Other and unallocated	2,816.7	2,223.8
Total	6,197.8	5,371.1

27. KEY MANAGEMENT PERSONNEL REMUNERATION AND RETIREMENT BENEFITS

(a) Details of key management personnel

(i) Directors

Linda Nicholls	Retired as Chairman (non-executive) 11 September 2006
David Mortimer	Chairman (non-executive) – appointed 12 September 2006 (previously Deputy Chairman)
Mark Birrell	Deputy Chairman (non-executive) – appointed 1 March 2007
Graeme John	Managing Director
Margaret Gibson	Director (non-executive)
Peter McLaughlin	Director (non-executive)
Sandra McPhee	Director (non-executive)
Thomas Phillips	Director (non-executive)
Ian Warner	Director (non-executive)

(ii) Executives

Alec Ceselli	General Manager, Post Logistics
Mark Howard	General Manager, Corporate Infrastructure Services Division
James Marshall	General Manager, Mail & Networks Division
Rodney McDonald	Group Manager, Human Resources
Peter Meehan	Chief Finance Officer
Bill Mitchell	General Manager, Commercial Division

(b) Compensation policies for key management personnel

The performance of the group depends upon the quality of its directors and executives. To achieve its financial and operational objectives, the group must attract, motivate and retain highly skilled directors and executives. In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

Director compensation

The compensation of the corporation's non-executive directors is determined independently by the Commonwealth Remuneration Tribunal. The Board Human Resources Committee is responsible for reviewing and recommending to the board the compensation arrangements for the managing director. Refer to the executive compensation section below for further details of this process.

	$
Remuneration levels for Australia Post's non-executive directors for 2006/07 were as follows	
Chairman	141,320
Deputy Chairman	78,830
Directors	70,670
Audit Committee Chairman	16,320
Audit Committee Member	8,160

Details of individual amounts received in 2006/07 by each non-executive director are provided in part (e) of this note. Remuneration levels for holders of part-time public offices (including Australia Post non-executive directors) have been increased by the Remuneration Tribunal by 4.2 per cent (4.4 per cent on 1 July 2006), with effect from 1 July 2007.

27. KEY MANAGEMENT PERSONNEL REMUNERATION AND RETIREMENT BENEFITS (CONT.)

(b) Compensation policies for key management personnel (cont.)

Executive compensation

Executive officers are those who are concerned with, or take part in, the management of entities in the consolidated group (excluding the managing director). Compensation arrangements for senior executives are reviewed by the managing director. Advice is sought from independent specialised compensation consultants to ensure that payments to executives are in line with market practice and are competitively placed to attract and retain necessary talent for the work required by these roles.

The Human Resources Committee is responsible for reviewing and recommending to the board the remuneration arrangements for the managing director. These arrangements are then implemented in accordance with remuneration policy and procedural arrangements approved by the Remuneration Tribunal. In undertaking this role the committee has adopted a set of principles approved by the Remuneration Tribunal which are designed to link the level of remuneration with the financial and operational performance of the corporation.

On a periodic basis advice is sought from independent specialised remuneration consultants on the structure of remuneration packages and the quantum of increases that apply in other comparable Australian corporations. On the basis of this advice, the managing director ensures that payments to other senior executives are in line with market practice and are competitively placed to attract and retain the necessary talent for the work required by these roles. Incentive rewards for the managing director and other senior executives for meeting or exceeding specific key annual business objectives are linked to the annual business plan at a corporate and individual level.

Measures and targeted achievement levels are reviewed each year to reflect changes in the business priorities for the forthcoming year. The measures include financial, customer satisfaction, employee engagement and other individual measures that support the key business objectives. Before a reward is payable, a threshold must be reached, according to predefined measures. Both the managing director and other senior executives are employed under individual contracts of employment that are not limited to a specific duration. Continuation of employment is subject to ongoing satisfactory performance.

Where Australia Post terminates the managing director's or other senior executive's employment for reasons other than performance or misconduct, they are entitled to: in the case of the managing director, 60 days' payment in lieu of notice and a termination payment of 1.5 times annual base salary; for other senior executives, 90 days' payment in lieu of notice and a termination payment calculated on four weeks for each of the first five years of employment and three weeks for every year thereafter to a maximum of 84 weeks, including the payment in lieu of notice. All of the above payments are based upon annual base salary.

(c) Other transactions and balances with key management personnel

There were no significant transactions between the corporation and key management personnel. Any transactions were of a trivial nature.

(d) Compensation of key management personnel by category

	Consolidated		Corporation	
	2007 $	2006 $	2007 $	2006 $
Short-term	6,984,079	6,526,431	6,984,079	6,526,431
Post employment	926,063	850,098	926,063	850,098
Other long-term	193,118	214,399	193,118	214,399
Termination benefits	–	–	–	–
	8,103,260	7,590,928	8,103,260	7,590,928

27. KEY MANAGEMENT PERSONNEL REMUNERATION AND RETIREMENT BENEFITS (CONT.)

(e) Compensation of key management personnel

The remuneration received or due and receivable directly or indirectly by the corporation's directors and executives is as follows.

	Short-term benefits			Australia Post employment benefits	Other long-term benefits	Termination benefits	
Year ended 30 June 2007 ($)	Cash salary(1)	Cash bonus	Non-monetary benefits(2)	Superannuation benefits(3)	Long service leave	Termination	Total
DIRECTORS							
Linda Nicholls	29,896	–	6,460	4,275	–	–	40,631
David Mortimer	142,690	–	–	20,405	–	–	163,095
Mark Birrell	73,397	–	–	10,496	–	–	83,893
Graeme John	1,286,335	955,573	22,461	307,456	53,056	–	2,624,881
Margaret Gibson	81,088	–	–	11,596	–	–	92,684
Peter McLaughlin	70,670	–	–	10,106	–	–	80,776
Sandra McPhee	78,830	–	–	11,273	–	–	90,103
Thomas Phillips	70,670	–	2,333	10,106	–	–	83,109
Ian Warner	72,928	–	4,343	10,429	–	–	87,700
	1,906,504	955,573	35,597	396,142	53,056	–	3,346,872
EXECUTIVES							
Alec Ceselli	336,628	100,492	13,018	60,575	11,197	–	521,910
Mark Howard	373,693	226,765	4,594	84,538	10,927	–	700,517
James Marshall	615,720	322,400	–	119,734	63,834	–	1,121,688
Rodney McDonald	353,225	194,370	5,823	72,461	12,391	–	638,270
Peter Meehan	454,596	257,505	3,986	95,998	13,125	–	825,210
Bill Mitchell	487,035	259,160	77,395	96,615	28,588	–	948,793
	2,620,897	1,360,692	104,816	529,921	140,062	–	4,756,388
Total key management personnel	**4,527,401**	**2,316,265**	**140,413**	**926,063**	**193,118**	**–**	**8,103,260**

(1) Included in cash salary are movements in the executives' annual leave entitlement and allowances paid in cash.

(2) Non-monetary benefits include spouse travel, motor vehicles and other expenses paid on behalf of the directors and executives.

(3) The amount for superannuation reflects the benefit to be received by the directors and executives (calculated at 14.3 per cent of the directors' and executives' salary for superannuation purposes).

27. KEY MANAGEMENT PERSONNEL REMUNERATION AND RETIREMENT BENEFITS (CONT.)

(e) Compensation of key management personnel (cont.)

	Short-term benefits			Australia Post employment benefits	Other long-term benefits	Termination benefits	
Year ended 30 June 2006 ($)	Cash salary(1)	Cash bonus	Non-monetary benefits(2)	Superannuation benefits(3)	Long service leave	Termination	Total
DIRECTORS							
Linda Nicholls	135,330	–	51,218	19,352	–	–	205,900
David Mortimer	91,098	–	–	13,027	–	–	104,125
Mark Birrell	67,670	–	–	9,677	–	–	77,347
Graeme John	1,219,006	788,239	25,274	273,296	50,475	–	2,356,290
Margaret Gibson	75,478	–	2,017	10,793	–	–	88,288
Peter McLaughlin	67,670	–	–	9,677	–	–	77,347
Sandra McPhee	75,478	–	–	10,793	–	–	86,271
Thomas Phillips	40,602	–	–	5,806	–	–	46,408
Edward Tweddell	7,238	–	–	1,035	–	–	8,273
Ian Warner	67,670	–	3,048	9,677	–	–	80,395
	1,847,240	788,239	81,557	363,133	50,475	–	3,130,644
EXECUTIVES							
Alec Ceselli	326,754	105,211	23,938	59,476	11,010	–	526,389
Mark Howard	391,511	201,278	2,713	78,468	12,437	–	686,407
James Marshall	519,557	264,537	995	103,002	51,917	–	940,008
Rodney McDonald	337,609	172,524	4,155	67,207	17,812	–	599,307
Peter Meehan	446,868	228,563	4,080	89,325	13,769	–	782,605
Bill Mitchell	472,619	230,032	76,451	89,487	56,979	–	925,568
	2,494,918	1,202,145	112,332	486,965	163,924	–	4,460,284
Total key management personnel	**4,342,158**	**1,990,384**	**193,889**	**850,098**	**214,399**	**–**	**7,590,928**

(1) Included in cash salary are movements in the executives' annual leave entitlement and allowances paid in cash.

(2) Non-monetary benefits include spouse travel, motor vehicles and other expenses paid on behalf of the directors and executives.

(3) The amount for superannuation reflects the benefit to be received by the directors and executives (calculated at 14.3 per cent of the directors' and executives' salary for superannuation purposes).

28. RELATED PARTIES

The consolidated financial statements include the financial statements of the Australian Postal Corporation and the subsidiaries listed in note 10.

Remuneration and retirement benefits

Information on remuneration of directors and amounts paid in connection with the retirement of directors is disclosed in note 27.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year. (For information regarding outstanding balances at year end, refer to notes 6, 9, 18 and 21.)

	Consolidated		Corporation	
	2007 $m	2006 $m	2007 $m	2006 $m
OTHER TRANSACTIONS WITH RELATED PARTIES				
Payments for collection and delivery services				
Joint venture entities	51.6	43.5	51.6	43.5
Controlled entities	–	–	–	–
Payments for management and administrative services				
Joint venture entities	42.9	39.2	42.9	39.2
Controlled entities	–	–	26.5	26.6
Payments for accommodation				
Joint venture entities	2.1	2.1	2.1	2.1
Revenue from collection and delivery services				
Joint venture entities	12.3	13.4	12.3	13.4
Controlled entities	–	–	14.2	15.6
Revenue from administrative services				
Joint venture entities	28.5	25.1	12.9	11.6
Controlled entities	–	–	0.3	0.2
Dividends received or receivable (refer to note 2)				
Joint venture entities	–	–	23.5	21.8
Interest received				
Joint venture entities	10.3	10.3	10.3	10.3
Controlled entities	–	–	1.0	0.7
AGGREGATE AMOUNTS RECEIVABLE FROM AND PAYABLE TO OTHER RELATED PARTIES AT BALANCE DATE WERE AS FOLLOWS:				
Current receivables				
Joint venture entities	2.9	3.3	1.1	1.4
Controlled entities	–	–	3.7	4.0
Current payables				
Joint venture entities	14.1	10.0	14.1	10.0
Controlled entities	–	–	–	–
Loans advanced to:				
Joint venture entities	129.0	129.0	129.0	129.0
Controlled entities	–	–	21.3	13.8
Loans advanced from:				
Controlled entities	–	–	1.2	1.2

Australia Post performs administrative services on behalf of its superannuation fund APSS. These services are provided on normal commercial terms. Payment received by Australia Post for these services for year ended 30 June 2007 is $18.1 million ($28.9 million in 2006).

28. RELATED PARTIES (CONT.)

All transactions with other related parties are made both at normal market prices and on normal commercial terms. Transactions entered into directly by directors or director-related entities with the Australian Postal Corporation have been either domestic or trivial in nature.

For the year ended 30 June 2007, the group has not made any allowance for doubtful debts relating to amounts owed by related parties ($nil in 2006). An impairment assessment is undertaken each financial year by examining the financial position of the related party, and the market in which the related party operates, to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the group recognises an allowance for the impairment loss.

A number of directors of the Australian Postal Corporation are also directors of other entities that have transacted with the Australian Postal Corporation group. These transactions have occurred on terms and conditions no more favourable than those that it is reasonable to expect the group would have adopted if dealing with any third party on normal commercial terms.

Ultimate controlling entity

The Commonwealth is the ultimate parent and controlling entity of the Australian Postal Corporation Group. The Australian Postal Corporation is the parent entity of the group comprising Australia Post and its controlled entities.

29. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The group's principal financial instruments, other than derivatives, comprise bonds, finance leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the group's operations. The group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The group also enters into derivative transactions, including interest-rate swaps, forward currency contracts and commodity swap contracts. The purpose is to manage the interest rate, currency and commodity risks arising from the group's operations and its sources of finance. It is the group's policy, and has been throughout the period under review, that no trading in financial instruments shall be undertaken. The main risks arising from the group's financial instruments are interest rate risk, liquidity risk, commodity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 1 to the financial report.

(b) Derivative instruments

The corporation is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates, foreign exchange rates and commodity prices. Reference should also be made to note 1(m) relating to derivative financial instruments.

Forward exchange contracts and commodity contracts

With respect to capital equipment sourced internationally, the corporation may enter into forward exchange contracts to purchase United States dollars (USD) and euros (EUR). The contracts are timed to mature when major shipments of equipment are scheduled for delivery and payment.

Exposure to commodity and currency prices arise through the corporation's use of fuel. The corporation has entered into commodity swap contracts to hedge commodity and foreign exchange exposures arising from its consumption of fuel. The contracts are timed to mature on a monthly basis.

Trading exposures arise as a result of obligations with overseas postal administrations and are invoiced in special drawing rights (SDR) and settled in EUR and USD. The SDR is a basket currency composed of fixed quantities of the four major traded currencies (USD, Yen, EUR and Pounds Sterling). The composition of the basket is set by the International Monetary Fund.

	2007		2006	
Commodity	Average price (AUD)	AUD $m	Average price (AUD)	AUD $m
At balance date, the details of outstanding swap contracts are:				
BUY OIL				
Swap contracts				
0–6 months	94.64	7.9	98.45	8.2
7–24 months	94.64	7.9	98.45	8.2

Swap contracts are transacted in AUD.

All swap contracts are entered into on the basis of known or projected exposures. Australia Post has elected to adopt cash flow hedge accounting in respect of its commodity hedging activities. Consequently any gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction. The group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

29. FINANCIAL INSTRUMENTS (CONT.)

Interest rate swaps

All interest swap contracts are entered into on the basis of known borrowing obligations. As these contracts are used to hedge against the impact of movements in market interest rates, any gains or losses on the contracts are accounted for on the same basis as the underlying borrowing exposures being hedged.

The gain or loss from remeasuring the hedging instrument at fair value is recorded in earnings to the extent that the hedge is effective and the carrying amount of the borrowing is adjusted by the gain or loss attributable to the hedged risk.

(c) Credit risk exposures

The credit risk on financial assets of the corporation that have been recognised in the balance sheet is generally the carrying amount, net of any provisions for doubtful debts.

For financial instruments, including derivatives, credit risk also arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. Counterparties are entities of at least "investment grade" as rated by Standard & Poor's (Australia). A material exposure may arise from financial instruments and the corporation may become exposed to loss in the event that counterparties fail to deliver the contracted amount. The corporation does not have a significant exposure to any individual counterparty. At balance date the following amounts represent the credit exposures.

AUD equivalents	2007 $m	2006 $m
Commodity swap contracts	2.5	4.5
Interest rate swap contracts	19.9	17.0
	22.4	**21.5**

It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the group.

With respect to credit risk arising from the other financial assets of the group, which comprise cash and cash equivalents, held-to-maturity financial assets and certain derivative instruments, the group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Since the group trades only with reputable third parties, there is no requirement for collateral.

(d) Fair value of financial assets and liabilities

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

The fair value of other monetary financial assets and financial liabilities is based on market prices (where a market exists) or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Cash and bank account balances are omitted as their balances approximate fair value.

	2007		2006	
	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m
The carrying amounts and fair values of financial assets and liabilities at balance date are as follows				
ON BALANCE SHEET				
Financial assets				
Floating rate notes and promissory notes	348.7	348.7	239.1	239.1
Loan to joint venture entity	129.0	123.8	129.0	127.4
Currency and commodity contracts	0.9	0.9	3.5	3.5
	478.6	**473.4**	**371.6**	**370.0**
Financial liabilities				
Debt	(519.6)	(519.6)	(527.9)	(527.9)
Interest rate swaps	(10.0)	(10.0)	(3.4)	(3.4)
Other debt	(1.6)	(1.6)	(2.7)	(2.7)
	(531.2)	**(531.2)**	**(534.0)**	**(534.0)**

29. FINANCIAL INSTRUMENTS (CONT.)

(e) Interest rate risk exposures

The group's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities are set out below. All amounts reflect the consolidated position.

AUD equivalents Consolidated	Note	One year or less $m	Over 1 to 2 years $m	Over 2 to 3 years $m	Over 3 to 4 years $m	Over 4 to 5 years $m	Over 5 years $m	Total $m	Weighted average effective interest rate%
2007 FINANCIAL ASSETS									
Fixed rate									
Receivables	*9*	–	–	–	–	–	129.0	129.0	8.01
Weighted average effective interest rate (%)		–	–	–	–	–	8.01		
Floating rate									
Cash	*31*	467.5	–	–	–	–	–	467.5	6.24
Weighted average effective interest rate (%)		6.24	–	–	–	–	–		
2007 FINANCIAL LIABILITIES									
Fixed rate									
Debt	*19*	–	296.2	–	–	223.4	–	519.6	5.87
Other debt	*19*	0.8	0.6	0.2	–	–	–	1.6	7.53
IRSs / FRAs		–	(296.2)	–	–	(223.4)	–	(519.6)	5.87
Weighted average effective interest rate (%)		7.16	7.78	7.91	–	–	–		
Floating rate									
IRSs / FRAs		–	300.1	–	–	229.5	–	529.6	6.20
Weighted average effective interest rate (%)		–	6.21	–	–	6.19	–		

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of the group and corporation that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

29. FINANCIAL INSTRUMENTS (CONT.)

(e) Interest rate risk exposures (cont.)

AUD equivalents Consolidated	Note	One year or less $m	Over 1 to 2 years $m	Over 2 to 3 years $m	Over 3 to 4 years $m	Over 4 to 5 years $m	Over 5 years $m	Total $m	Weighted average effective interest rate%
2006 FINANCIAL ASSETS									
Fixed rate									
Receivables	*9*	–	–	–	–	–	129.0	129.0	8.01
Weighted average effective interest rate (%)		–	–	–	–	–	8.01		
Floating rate									
Cash	*31*	358.4	–	–	–	–	–	358.4	5.66
Weighted average effective interest rate (%)		5.66	–	–	–	–	–		
2006 FINANCIAL LIABILITIES									
Fixed rate									
Debt	*19*	229.1	–	298.8	–	–	–	527.9	5.78
Other debt	*19*	1.1	0.8	0.8	–	–	–	2.7	7.59
IRSs / FRAs		(229.1)	–	(298.8)	–	–	–	(527.9)	5.78
Weighted average effective interest rate (%)		8.15	6.41	7.71	–	–	–		
Floating rate									
Bank overdrafts		–	–	–	–	–	–	–	
IRSs / FRAs		230.2	–	301.1	–	–	–	531.3	5.73
Weighted average effective interest rate (%)		5.73	–	5.74	–	–	–		

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of the group and corporation that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

30. LEASES

(i) Operating leases

The corporation leases a total of 779 properties. These are under operating leases with various occupancy terms that are due to expire in the next one to ten years. The leased property portfolio comprises 30 commercial, 209 industrial, 12 residential and 528 retail sites. Leases generally provide the corporation with a right of renewal, at which time the commercial terms are renegotiated. Lease payments generally comprise a base amount plus an incremental contingent rental based on movements in the Consumer Price Index and reviews to market-based levels.

	Consolidated	
	2007 $m	2006 $m
Minimum lease payments	105.3	98.5
Contingent rentals	2.1	2.0
Operating lease rentals (refer to note 3)	**107.4**	**100.5**

Full details of the ageing of the groups operating leases are contained in the commitments note.

(ii) Finance lease receivable

The corporation has a finance lease receivable relating to the disposal in 1996/97 of the Sydney GPO heritage site under a 99-year lease. The agreement includes a seven-year rent-free period to the lessee, followed by a guaranteed minimum rental.

	2007 $m	2006 $m
Reconciliation of minimum lease payments to lease receivable		
Gross minimum finance lease rentals receivable	575.8	582.3
Lease finance revenue not yet recognised	(471.7)	(478.2)
Finance lease receivable (refer to notes 6 and 9)	**104.1**	**104.1**
Minimum finance lease rentals receivable:		
(a) within one year	6.5	6.5
(b) from one year to five years	26.0	26.0
(c) over five years	543.3	549.8
Total	**575.8**	**582.3**

The lease commitments receivable at year-end equal the minimum lease payments, as there are no material contingent payments or unguaranteed residual value relating to this lease agreement.

(iii) Finance lease payable

The group has certain hire purchase and finance lease agreements. The present value of these minimum lease payments is $1.6 million ($2.7 million in 2006). Within one year, $0.8 million ($1.1 million in 2006) will be made and the remainder will be made between one to five years.

31. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks, promissory notes and floating rate notes. Cash and cash equivalents on hand at the end of the period as shown in the cash flow statement are reconciled to the related items in the balance sheet as follows.

	Consolidated		Corporation	
	2007 $m	2006 $m	2007 $m	2006 $m
Cash on hand	416.3	402.4	406.4	391.2
Promissory notes	348.7	239.1	348.7	239.1
Total cash and cash equivalents	**765.0**	**641.5**	**755.1**	**630.3**

(b) Reconciliation of net profit after tax to net cash provided by operating activities

Profit for the period	**400.6**	**368.1**	**395.9**	**356.4**
Depreciation and amortisation	174.3	168.9	165.9	161.8
Changes in joint ventures not received as dividends	(9.2)	(8.4)	0.0	0.0
Net revaluation gain on investment property	(18.2)	(3.8)	(18.6)	(3.8)
Net losses / (gains) from sales of property, plant and equipment	(2.1)	1.8	(2.1)	1.7
	144.8	158.5	145.2	159.7
Changes in assets and liabilities adjusted for the acquisition of businesses				
(Increase) / decrease in debtors	7.6	(21.4)	5.9	(17.4)
Decrease / (increase) in inventories	(3.7)	24.8	(3.7)	24.8
Decrease / (increase) in interest receivable	(1.1)	0.2	(1.1)	0.2
(Increase) / decrease in other current assets	(0.1)	(3.3)	0.0	(3.4)
(Increase) / decrease in deferred income tax asset	(6.1)	(5.0)	(5.4)	(2.8)
Increase / (decrease) in creditors and other payables	61.3	40.2	62.5	42.7
(Decrease) / increase in accrued interest expenditure	1.0	(0.3)	1.0	(0.3)
Increase / (decrease) in advance receipts	8.2	5.0	7.3	2.4
Increase / (decrease) in employee entitlements	18.5	4.8	17.9	2.5
Increase / (decrease) in income tax payable	39.6	(14.6)	40.2	(14.9)
Increase / (decrease) in deferred income tax liability	1.1	12.1	2.2	12.2
	271.1	201.0	272.0	205.7
Net cash from operating activities	**671.7**	**569.1**	**667.9**	**562.1**

Loan facilities

Fully drawn loan facilities of $530.0 million ($530.0 million in 2006) and $1.6 million ($2.7 million in 2006) hire purchase and finance leases were held at 30 June 2007 (refer to note 19).

31. NOTES TO THE CASH FLOW STATEMENT (CONT.)

(c) Details of the acquisition of controlled entities and business assets

On 19 September 2006, Australia Post acquired the business assets of two messenger courier companies (Young Kelly Pty Ltd, trading as Beeline Courier Systems, and Transmet Taxi Trucks Pty Ltd). At the date of acquisition, the companies were servicing the greater Melbourne metropolitan courier market. From the date of acquisition, the business assets have been incorporated into the corporation's Messenger Post Courier business.

On 1 July 2005 PrintSoft Holdings Pty Ltd (a wholly owned subsidiary of Australia Post) acquired 100 per cent of the issued share capital of both PrintSoft Development Pty Ltd and PrintSoft Systems GmbH, who in turn held investments in other subsidiaries (refer to note 10). At the date of acquisition, the PrintSoft Group provided software solutions for producing letters and documents and continues to do so. On 1 March 2006, PrintSoft Holdings Pty Ltd acquired the remaining 85 per cent interest in Program Products (Services) Limited (the other 15 per cent interest was already held within the PrintSoft Group).

	Consolidated	
Details of the acquisition are as follows Consideration comprising	2007 $m	2006 $m
Cash	10.0	9.3
Acquisition costs	0.1	1.3
Total consideration	**10.1**	**10.6**
Fair value of identifiable net assets of controlled entity acquired		
Cash	–	3.1
Receivables	–	5.2
Prepayments	–	0.6
Property, plant and equipment	0.0	0.6
Intangible assets	–	1.2
Investments	–	–
Payables	–	(8.4)
Loans	–	–
Deferred tax liability	–	–
	–	**2.3**
Add: outside equity interests	–	(0.2)
	–	2.1
Goodwill on consolidation	10.1	8.5
Total consideration	**10.1**	**10.6**

	Consolidated		Corporation	
	2007 $m	2006 $m	2007 $m	2006 $m
Outflow of cash to acquire controlled entity (net of cash acquired)				
Cash consideration	10.1	10.6	10.1	14.0
Less: cash balances acquired	–	3.1	–	–
Outflow of cash	**10.1**	**7.5**	**10.1**	**14.0**

32. CORPORATE INFORMATION

The financial report of Australian Postal Corporation for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 23 August 2007.

Australian Postal Corporation is a government business enterprise (GBE) established pursuant to the *Postal Services Act 1975 (Cwlth)*, the existence of which is continued by section 12 of the *Australian Postal Corporation Act 1989*. The nature of the operations and principal activities of the group are outlined in the corporation's annual report.

Registered office:

321 Exhibition Street,
Melbourne VIC 3000
AUSTRALIA

33. EVENTS AFTER BALANCE DATE

On 23 August 2007, the directors of Australian Postal Corporation declared a final dividend in respect of the 2007 financial year. The total amount of the dividend is $158.3 million and this has not been provided for in the 30 June 2007 financial statements.

Australia Post's Community Service Obligations (CSOs) are set out in section 27 of the *Australian Postal Corporation Act 1989* (the Act), which requires that:

- the corporation provide a letter service for both domestic and international letter traffic
- the service be available at a single uniform rate within Australia for standard letters
- the service be reasonably accessible to all Australians wherever they reside
- the performance standards for the service reasonably meet the social, industrial and commercial needs of the community.

PERFORMANCE STANDARDS

Regulations made under section 28C of the Act detail the particular standards required to meet these obligations. Performance against these standards is subject to independent audit by the Australian National Audit Office (ANAO).

All of the prescribed standards were met or exceeded in 2006/07. The actual result for each standard is outlined in the table below.

The associated ANAO Audit Report is reproduced on pages 113–114.

ORGANISATIONAL ARRANGEMENTS

To maintain an appropriate ongoing focus on CSO compliance, Australia Post has a national CSO co-ordinator in its headquarters organisation, as well as nominated CSO co-ordinators at the state level.

CSO COSTS

There is a financial "cost" associated with meeting CSOs. That "cost" arises when the charge made for any mandated service does not recover the cost of its delivery. The "cost" is measured on a net basis (ie after reduction of related revenue) and is funded by internal cross-subsidy within the letter service.

Calculated on the avoidable cost methodology, CSO "costs" for 2006/07 are estimated to have been $97.3m.

Performance standard	2006/07 performance
LODGEMENT	
10,000 street posting boxes	15,606[1]
DELIVERY TIMETABLES	
Same state	
Metro – next business day	Maintained
Metro to country – second business day	Maintained
Between country areas – second business day	Maintained
Interstate	
Metro to metro – second business day	Maintained
Between metro and country – third business day	Maintained
Between country areas – fourth business day	Maintained
ON-TIME DELIVERY	
94 per cent of non-bulk letters	96.3%
ACCESS	
4,000 retail outlets (2,500 in rural and remote areas)	4,449[1] (2,553[1] in rural and remote areas)
Retail outlets located so that:	
in metropolitan areas at least 90 per cent of residences are within 2.5 km of an outlet	94.2%[1]
in non-metropolitan areas at least 85 per cent of residences are within 7.5 km of an outlet	86.7%[1]
DELIVERY FREQUENCY	
98 per cent of delivery points to receive deliveries five days a week	98.7%[1]
99.7 per cent of delivery points to receive deliveries no less than twice a week	99.9%[1]
COMPLAINTS[2]	
To be resolved within 10 days on average	Resolved within an average of 5.4 days

(1) Result as at 30 June 2007.

(2) Not part of performance regulations, this is a Customer Service Charter commitment.

Auditor-General for Australia

Australian National
Audit Office

Independent Audit Report on the extent to which the Australian Postal Corporation has complied with the Australian Postal Corporation (Performance Standards) Regulations for the year ended 30 June 2007

To the Minister for Communications, Information Technology and the Arts and the Board of the Australian Postal Corporation

Scope

I have audited the Australian Postal Corporation's (the Corporation) compliance with the performance standards prescribed in the Australian Postal Corporation (Performance Standards) Regulations, as amended, for the year ended 30 June 2007.

The performance standards require the Corporation to:

(a) service 98% of all postal delivery points at least five days per week and 99.7% of all postal delivery points at least two days per week, (Regulation 5);

(b) deliver at least 94% of reserved services letters to the indicated or appropriate address according to the prescribed timetable, (Regulation 6);

(c) maintain mail lodgement points for postal articles (other than bulk mail) at each of its 4,000 retail outlets and maintain at least 10,000 street posting boxes, (Regulation 8); and

(d) make a selection of its products or services available for purchase at each of the retail outlets. At least half of the retail outlets must be in zones classified as rural or remote, and in any event, not fewer than 2,500. At least 90% of residences within metropolitan areas must be within 2.5 kilometres of a retail outlet and an average of at least 85% of residences in rural or remote zones must be within 7.5 kilometres of a retail outlet, (Regulation 9).

The Directors of the Corporation are responsible for ensuring that adequate systems are in place to monitor compliance with the performance standards. I have conducted an independent audit of compliance with the performance standards in order to express an opinion to you.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards and relevant ethical requirements relating to audit engagements and accordingly included such tests and other procedures considered necessary.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7500 Fax (02) 6273 5355
Email ian.mcphee@anao.gov.au

Audit procedures included:

(a) examination and assessment of the key mail management systems;

(b) examination, on a test basis, of supporting evidence; and

(c) examination of the work performed by the independent reviewer contracted by the Corporation.

These procedures have been undertaken to form an opinion whether, in all material respects, the Corporation has complied with the prescribed performance standards.

The audit opinion expressed in this report has been formed on the above basis.

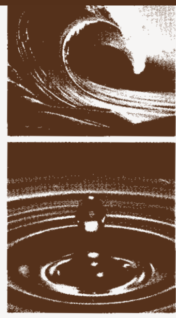
As part of the audit, I have considered, solely for the purpose of determining the nature, timing and extent of my audit procedures, the Corporation's system of internal control. This consideration has not entailed a detailed study and evaluation of any of the elements of the system for the purpose of providing the assurances thereon. I have provided a report to the Corporation on exceptions noted, potential performance improvements, the Corporation's performance compared with best practice and the positive assurance report on compliance. Nothing in that report has caused me to modify my opinion presented below.

Opinion

In my opinion the Australian Postal Corporation was, in all material respects, in compliance with the performance standards prescribed in the Australian Postal Corporation (Performance Standards) Regulations, as amended, during the year ended 30 June 2007.

Ian McPhee
Auditor-General

Canberra
23 August 2007



RESEARCH INTERNATIONAL

July 17 2007

To The Board of the Australian Postal Corporation

Re: Yearly Basic Monitor Result Certification

We have undertaken an independent monitor of Australia Post's domestic letter service against its delivery undertakings for the year ended June 2007 in accordance with the requirements of the Australian Postal Corporations Act 1989.

Our monitor was based on properly prepared, statistically valid sample of approximately 302,175 test letters. The sample size was determined with regard to information that Australia Post supplied about the postal network design parameters.

Our testing involves comparing the delivery time taken for each test letter with Australia Post's delivery undertaking for the mail path concerned.

Test letters represented the full range of letter sizes and types recognised as ordinary mail, posted in locations having a daily clearance to locations having a daily delivery, from small to large and including window-faced envelopes. They were addressed by hand and machine fonts, reflecting the varied mailing practices of postal users.

All addressing was in accordance with Australia Post's specifications for the proper preparation of letter mail. The letters, as specified under the terms of our contract, were indistinguishable from other mail flowing through the Australia Post network.

Our process for calculating the delivery performance was independently audited by Deloitte.

For the year ending June 2007 the sample used by Research International was consistent with the sample frame provided by Australia Post. The attached certification from Deloitte states that "nothing has come to our attention that would suggest that the results reported by Research International have not been calculated in accordance with the business rules or do not fairly represent the performance of Australia Post's domestic letter service for the year ended 29/06/2007."

Results

For the year ended June 2007, the monitor showed that Australia Post delivered 96.3 per cent of all letters early or on time, and 99.0 per cent of letters were delivered on time or not more than one working day after your delivery undertakings.

LEVEL 3 21-31 GOODWOOD STREET RICHMOND VIC 3121 AUSTRALIA **TEL** +61 3 9426 1133 **FAX** +61 3 9426 1281 **INTERNET** www.research-int.com

ARGENTINA, AUSTRALIA, AUSTRIA, BELGIUM, BRAZIL, CANADA, CHILE, CHINA, COLOMBIA, COSTA RICA, CZECH REPUBLIC, DENMARK, EL SALVADOR, FINLAND, FRANCE, GERMANY GHANA, GREECE, HONG KONG, HUNGARY, INDIA, INDONESIA, ITALY, IVORY COAST, JAPAN, KENYA, KOREA, MALAYSIA, MEXICO, NETHERLANDS, NEW ZEALAND, NIGERIA NORWAY, PHILIPPINES, POLAND, PORTUGAL, RUSSIA, SINGAPORE, SOUTH AFRICA, SPAIN, SWEDEN, TAIWAN, THAILAND, TURKEY, UK, UNITED ARAB EMIRATES, USA, ZIMBABWE

ABN 14 000 022 837

Opinion

In our opinion based upon the audit procedures conducted, at a 95 per cent confidence level and with a maximum weighted actual precision limit of 0.1 per cent, these results present fairly the performance of Australia Post's domestic letter service for the year ended June 2007 against the scope provided.

Yours faithfully

Rahif Kayal
CEO Australia
Research International

Deloitte

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Ms Louise McCann
Chief Executive Officer
Research International
PO Box 305
CHATSWOOD NSW 2057

19 July 2007

Dear Louise

Re: Research International / Australia Post Performance Metric: Deloitte Certification Period 03/07/2006 to 29/06/2007 – for Basic Letters

Research International is performing an external mail monitoring service for Australia Post within a defined set of parameters that have been agreed between Australia Post and Research International.

The external mail monitor covers basic (domestic) letters carried across the Australia Post Network.

Deloitte has re-performed the calculation of the delivery performance figure by using the data output from the CIS system and the associated business rules which are integral to the Research International monitor in order to provide assurance regarding the accuracy of the measurements calculated by Research International. This letter sets out the results of the Deloitte reperformance of Research International's calculation for the period 03/07/2006 to 29/06/2007.

Scope

The management of Research International is responsible for the calculation and delivery of the performance metrics to Australia Post. We have conducted an independent assessment of the calculation of the delivery performance metric for the period, in order to form an opinion whether, in all material respects, the delivery performance metric calculation is in accordance with the business rules agreed between Research International and Australia Post.

The engagement was performed in accordance with Australian Auditing Standard AUS 110, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information." Our procedures were designed to provide limited assurance as defined by AUS110 which recognises the fact that absolute assurance is rarely attainable due to such factors as the use of judgement in gathering and evaluating and forming conclusions, the use of selective testing, the inherent limitations of internal control, and because much of the evidence available to the auditors is persuasive rather than conclusive in nature. Further information in relation to the extent of the procedures performed and the scope of our engagement is detailed in our engagement letter dated 01/08/2006.

This report has been prepared for distribution to Research International. We understand that a copy of this report will be provided to Australia Post by Research International. We disclaim any assumption of responsibility for any reliance on this report to any other persons or users, or for any purpose other than that for which it was prepared.

Inherent Limitations

Because of the inherent limitations of any internal control structure it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the internal

Member of
Deloitte Touche Tohmatsu

Deloitte.

Page 2
19 July 2007

control structure, within which the processes that we have audited operate, has not been audited and no opinion is expressed as to its effectiveness.

An audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis.

Any projection of the evaluation of Deloitte's re-performance of this year's results to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The opinion expressed in this report has been formed on the above basis.

Findings

Based upon the data and business rules provided by Research International as at 18/07/2007, Deloitte has re-performed the Overall Letter Service Performance for basic letters.

The table below outlines the national average of the delivery performance metric as calculated by Research International and by Deloitte.

Type of Letter	Research International figure	Deloitte figure
Basic	96.3% ±0.1	96.3%

Deloitte chose a random sample of invalidated ('dudded') transactions, and obtained supporting evidence to identify for those transactions in the sample, whether the process (as agreed to between Research International and Australia Post) for 'dudding' transactions was adhered to. No exceptions were noted.

Conclusion

Based on the work performed, nothing has come to our attention that would suggest that the results reported by Research International have not been calculated in accordance with the business rules or do not fairly represent the performance of Australia Post's domestic letter service for the year ended 29/06/2007.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Kevin Nevrous
Partner

ESTIMATED RESULTS OF PRODUCT DISSECTION BETWEEN RESERVED AND NON-RESERVED SERVICES

	Reserved		Non-reserved		Total	
	$m	%	$m	%	$m	%
CONSOLIDATED RESULTS						
Revenue	1,864.2	40.2	2,773.6	59.8	4,637.8	100.0
Expense	1,840.2	44.7	2,275.3	55.3	4,115.5	100.0
Profit from ordinary activities before net interest and income tax	**24.0**	**4.6**	**498.3**	**95.4**	**522.3**	**100.0**
Interest and net profits related to joint ventures					43.0	100.0
Profit before third party interest and tax					**565.3**	
Return on revenue (1)		1.3		18.0		11.3
Average operating assets (2)	1,034.5	35.9	1,843.7	64.1	2,878.2	100.0
Return on average operating assets (3)		2.3		27.0		19.6

(1) Excludes interest and share of net profits of joint ventures.

(2) Assets reflect average operating assets for 2005/06 and 2006/07.

(3) Total return on average operating assets includes interest and share of net profits relating to joint ventures. Reserved and non-reserved return on average operating assets excludes all interest and share of net profits of joint ventures.

Statutory reporting requirements index For the year ended 30 June 2007

Australia Post has reported in accordance with the requirements of the *Commonwealth Authorities and Companies Act 1997*, the *Australian Postal Corporation Act 1989*, the *Freedom of Information Act 1982*, the *Occupational Health and Safety (Commonwealth Employment) Act 1991*, the *Superannuation Benefits (Supervisory Mechanisms) Act 1990*, and the *Environment Protection and Biodiversity Conservation Act 1999*. This index shows where the relevant information can be found in the 2006/07 Annual Report.

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s.10(1)(e)	Significant changes in affairs or principal activities during the year	N/A	N/A
s.10(1)(f)	Significant developments since end of financial year	N/A	N/A

JUDICIAL REVIEWS BY OUTSIDE BODIES

s.11(a)	Judicial tribunal decisions that have had a significant impact	N/A	N/A
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EFFECTS OF MINISTERIAL DIRECTIONS

s.12(1)(a)(i)	Any directions by responsible ministers during the financial year	N/A	N/A
s.12(1)(a)(ii)	Since the end of the financial year	N/A	N/A
s.12(1)(a)(iii)	Continuing from previous financial years	N/A	N/A
s.12(1)(b)(i)	Government policies under s.28 of the CAC Act during the financial year	N/A	N/A
s.12(1)(b)(ii)	Since the end of the financial year	N/A	N/A
s.12(1)(b)(iii)	Continuing from previous financial years	Statutory report	123

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s.13(1)(a)(i)	Significant changes in financial structure	N/A	N/A
s.13(1)(a)(ii)	Events that may affect future operating results	N/A	N/A
s.13(1)(b)	Dividends paid or recommended	News and highlights Financial results Financial statements	IFC 8–9 96
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INTRODUCTION

Australia Post is subject to various statutory reporting requirements under the *Australian Postal Corporation Act 1989*, the *Commonwealth Authorities and Companies Act 1997*, the *Freedom of Information Act 1982*, the *Occupational Health and Safety (Commonwealth Employment) Act 1991*, the *Superannuation Benefits (Supervisory Mechanisms) Act 1990* and the *Environment Protection and Biodiversity Act 1999*.

The index on pages 120–122 shows where the relevant information can be found in this annual report.

A number of matters are dealt with in the main body of the report. Others are covered below.

LEGISLATION

The powers and functions of Australia Post are set out in Sections 14–19 of the *Australian Postal Corporation Act 1989* (the Act).

Australia Post's principal function is to supply postal services within Australia and between Australia and other countries. Australia Post may also carry on any business or activity, either domestically or internationally, that relates or is incidental to the supply of postal services.

INDEMNITIES AND INSURANCE PREMIUMS FOR DIRECTORS AND OFFICERS

Australia Post has in place a Directors' and Officers' Liability insurance policy. The policy, which expires in February 2008, provides cover in respect of any person who is or was a director or officer of Australia Post, when acting in these capacities. Australia Post also maintains a separate insurance policy which provides cover to all former directors or officers of the corporation. This policy, which expires in February 2017, provides cover in respect of any matters arising from the time such persons were a director or officer of Australia Post. Confidentiality requirements within the insurance contracts prohibit any additional disclosures.

Directors of Australia Post are also indemnified by the corporation to the extent permitted by law against any liability incurred in their capacity as a director.

CORPORATE PLAN

Each year Australia Post prepares a rolling three-year corporate plan. The 2006/07 plan and associated Statement of corporate intent were submitted to the shareholder ministers in June 2006.

Objectives

The main objectives of the plan, over the triennium, were to:

- meet all of Australia Post's community service obligations and enhance shareholder value and dividends
- maintain performance efficiency and high staff commitment
- expand our business to meet the changing needs of customers and provide substitute profit growth for otherwise mature products and services.

Strategies

Australia Post's overarching strategy continues to be to defend and extend the core business and to establish leadership positions in substitute markets and in activities with growth potential, where it is possible to fully capitalise on our existing strengths.

To support this, the corporation has pursued three strategies that maintain and grow revenue from our existing operations in letters & associated products, retail products & agency services, and parcels & logistics. The strategies and their main associated programs are:

1. Position our paper-based products and services as cost-effective and a vital part of contemporary communications by:
   - ensuring our products and services match and anticipate customers' changing expectations of value
   - communicating the benefits of paper-based communications to our customers
   - making mail marketing more competitive
   - continuing to be contemporary and commercial in our pricing.
2. Tailor our retail products and agency services around themes that help our customers get important things done by:
   - creating a portfolio of products and services that reflect customers' expectations and buying behaviours
   - providing the right products in the right places.
3. Be the "essential partner" for domestic parcels and logistics services and build into related international opportunities by:
   - continuing to meet the needs of "point-to-point" customers
   - providing the services that attract business-to-business customers
   - extending partnerships with customers and suppliers to meet emerging demand for global parcels and logistics services.

Targets

Key financial and non-financial performance measures set out in the plan were:

- profit before tax averaging $569 million per year
- dividends declared averaging $298 million over the three years of the plan.

Specific targets for 2006/07 and performance against these targets were:

Performance indicator	Target	Performance
On-time letter delivery	94%	96.3%
Profit before tax	$525 million	$561.7 million
Return on average operating assets	15.6%	19.6%
Dividend declared for 2006/07	$271 million	$296.9 million

GOVERNMENT POLICIES

In February 2004, the Minister of Communications, Information Technology and the Arts provided formal notification, under section 28 of the *Commonwealth Authorities and Companies Act 1997*, that the Government's National Code for the Construction Industry and associated implementation guidelines were to apply to all construction-related activity undertaken by and on behalf of Australia Post. The notification has had no major impact on the corporation as Australia Post had, since their introduction in 1997, made compliance with the code and guidelines a condition of all of its construction-related tenders.

Section 49 of the *Australian Postal Corporation Act 1989* empowers the Minister to give the board written directions in relation to the performance of Australia Post's functions as appear to be necessary in the public interest. No notification or direction has been issued under this provision.

OTHER GOVERNMENT OBLIGATIONS

Administrative law

The cost of meeting Commonwealth administrative requirements in 2006/07 is estimated at approximately $1.5 million.

Medical / Educational Remote Area Parcel Service

The Medical / Educational Remote Area Parcel service provides reduced postage rates for parcels containing health and education materials that are sent to and from people living in remote communities. In the 2006/07 reporting period, revenue foregone is estimated at $38,800

Superannuation

During 2006/07 Australia Post complied with all relevant guidelines and made no significant changes to superannuation arrangements for employees.

OCCUPATIONAL HEALTH AND SAFETY (OH&S) REPORT

The following information is presented in accordance with the requirements of section 74 of the *Occupational Health and Safety Act 1991* (OHS Act 1991).

A number of measures were taken during the year to assist in providing for the health, safety and welfare at work of employees and contractors of the corporation. These include:

- continuing to implement our OH&S policy and OH&S agreement
- auditing OH&S legislative and corporation OH&S policy compliance through the Australia Post Occupational Health and Safety Management System Quality Assurance Program. The corporation recorded an overall high level of conformance with OH&S audit criteria
- maintaining OH&S committees throughout the corporation
- providing OH&S related training for Health and Safety Representatives, managers, supervisors and staff throughout Australia Post to develop a greater understanding of corporate and statutory requirements
- directing OH&S improvements through OH&S plans at national, state and workplace facility levels. These plans provide for OH&S management systems and supervisory accountability, auditing the effectiveness of the OH&S management system, induction and skills training, compliance with corporate and statutory OH&S requirements, workplace safety audits for hazard identification and control, accident prevention initiatives targeted at priority accident types, and employee involvement in OH&S
- introducing a new employee health and wellbeing strategy to provide evidence-based and effective employee health and wellbeing solution to improve individual health and wellbeing, thereby driving strong individual and business performance
- conducting a business-wide audit of the safety of powered conveyors to ensure compliance with relevant conveyor safety and machine guarding standards and the training of operational staff in the safe use of the conveyors
- developing an Australia Post Pandemic management plan to assist the corporation in assessing and controlling risks to employee health and business continuity associated with any pandemic
- implementing a new harassment discrimination bullying policy, signed by the managing director to assist managers and employees to understand these issues and provided for diagnostic tools to determine if a situation might be bullying and a guide for managers to assist in preventing and managing bullying
- ensuring new and modified equipment and work practices were compliant with safety requirements before activation
- advising contractors on safe work practices.

As a result of these and other initiatives, the incidence of work-related lost-time injuries fell by 2.6 per cent this year. The consistent, decade-long decline in our lost time injury frequency rate (LTIFR) continued with LTIFR reaching a record low of 7.4 lost time injuries per million work hours.

During the year:

- 861 incidents were notified to Comcare in accordance with section 68 of the OHS Act 1991.
- 16 Provisional Improvement Notices were given.
- 6 Improvement Notices (section 47) were given.
- 22 investigations were conducted relating to:
  - plant and machinery safety (12)
  - OH&S management system arrangements (3)
  - motorcycle operations (3)
  - HSR arrangements (2)
  - contractor arrangements (1)
  - harmful substances (1).

FREEDOM OF INFORMATION REPORT

In the year to 30 June 2007 Australia Post received 61 applications under the *Commonwealth Freedom of Information Act 1982*.

These were handled as follows:

Granted in full	19
Granted in part	17
Access refused	15
Withdrawn	10
On hand at 30 June 2007	0
Total	**61**

There were four applications for internal review during the year. One application resulted in access being given in full and in each of the other three applications the decision of the Freedom of Information Officer was affirmed on review.

During the year, four applications for administrative review were lodged with the Administrative Appeals Tribunal. Two of these applications were withdrawn. In one application Australia Post had its decision substantially affirmed and the other application has not yet been determined.

One application that was lodged with the Administrative Appeals Tribunal in the 2005/06 financial year has not yet been determined.

Australia Post's appeal to the Federal Court from an Administrative Appeals Tribunal decision from the previous 2005/06 financial year was successful; the Federal Court set aside the Administrative Appeals Tribunal decision.

The estimated cost of handling Freedom of Information requests and related responsibilities in 2006/07 was $47,528. Application fees and charges of $800 were collected.

Freedom of Information Act, Section 8

The following information is presented in accordance with section 8 of the *Freedom of Information Act 1982*.

Organisation and functions

Australia Post has a Melbourne-based headquarters, five state-based profit centres and five joint ventures. Headquarters is responsible for strategic planning, policy and support activities. State-based profit centres direct day-to-day business activities within the states..

Consultative arrangements

Australia Post consults directly with major mail users, customers and various bodies to respond to customers' needs.

A joint Mailing Industry Advisory Committee operates with the Major Mail Users Association for the purpose of enhancing relationships between Australia Post and its major customers.

The Postal Services Consultative Council provides a further external forum for discussing Australia Post's services and performance. Australia Post also consults extensively with private mail users through local managers and customer contact centres.

Market research is undertaken regularly to monitor how well Australia Post is satisfying customer needs and how the postal system is regarded by the public.

Australia Post's letter delivery performance is independently audited. Formal reports are published on a quarterly basis.

CATEGORIES OF DOCUMENTS

The categories of documents maintained by Australia Post include those relating to:

- corporate organisation and administration
- Australia Post's financial management
- management of assets
- internal administration including policy development and program administration, reports, briefings, correspondence, minutes, submissions, statistics and other documents
- board submissions relating to the business of Australia Post
- reference material used by staff, including guidelines and manuals
- working files
- legal advice.

These documents are maintained by Australia Post in a variety of formats. Some of the documents, along with information on Australia Post's organisation, structure and activities, can be obtained free of charge on the Australia Post website auspost.com.au.

Access to documents

Access to documents under the *Freedom of Information Act 1982* can be obtained by forwarding a written request, together with the prescribed fee, to:

National Freedom of Information Officer
Legal Services Group
Australia Post Headquarters
GPO Box 1777
MELBOURNE VIC 3001

Alternatively, access to documents can be obtained by writing to the Freedom of Information Officer in the relevant state administrations. The addresses of Australia Post's state administrations are provided on page 136.

PRIVACY AND ACCESS TO PERSONAL INFORMATION

Under the *Commonwealth Privacy Act 1988* individuals have, subject to certain exceptions permitted by law, a right to request access to their personal information that is held by Commonwealth agencies and private-sector organisations.

Individuals may apply for access to their personal information held by Australia Post by writing to:

Chief Privacy Officer
Legal Services Group
Australia Post Headquarters
GPO Box 1777
MELBOURNE VIC 3001

FRAUD CONTROL

Measures consistent with sound commercial practices, for the deterrence and detection of fraud, are applied by Australia Post. This is further supported through the maintenance of a National fraud control policy and a code of ethics.

The Corporate Audit Services Group applies a risk-based methodology to review business operations and related systems, including policies and procedures, which make up the control environment. It does so on a programmed basis to ensure that the corporation's assets are safeguarded and business risks minimised.

The Corporate Security Group is a specialised unit charged with the responsibility of ensuring the integrity of the mail and the safety of Australia Post's personnel and other assets. It works closely with law enforcement agencies both within Australia and internationally.

Annual reviews of conventional, computer and computer-related crime risk exposures are undertaken by the Risk Management Unit.

The Corporate Security Group formally liaises with the Audit and Risk Group to enhance fraud awareness and to ensure that a co-ordinated approach to fraud management is adopted.

The Systems Security section has a specialist role of ensuring security of Australia Post's information technology systems.

EXAMINATION OF MAIL

The corporation is authorised under the Act to open mail, as required by the Australian Customs Service, when it is suspected that articles may contain prohibited substances or to determine that appropriate duties / taxes are met. For this purpose authorised examiners, in accordance with section 90FB of the Act, have been appointed at designated locations where mail can be so opened.

Australian Customs Service personnel have also been authorised, under section 90T, to remove and open articles of a particular weight that they reasonably believe may contain certain drugs or other chemical compounds. They have also been authorised under section 90FB(3) to examine mail without opening it (ie by X-ray or with drug detection dogs).

Authorised Australia Post staff may open undeliverable articles at approved locations for the purpose of identifying intended or return addresses. They may also open mail to repair an article or its contents so that the article can be made safe for carriage by post.

DISCLOSURE OF INFORMATION

The corporation is authorised to disclose information to agencies with the legislative power to obtain such information. This includes instances relating to enforcement of the criminal law, protection of the public revenue, reduction of threats to life and notification of next of kin.

As required under section 43(o) of the Act, Tables 1 and 2 on the following page detail the number of times that such information was disclosed during the year and the authorities or bodies to which it was disclosed.

TABLE 1. DISCLOSURE OF INFORMATION / DOCUMENTS (SECTION 90J 'AUTHORITY')

(Applies to all information or documents)

Authority for disclosure	Number of disclosures	Disclosures made to
Disclosure under warrants [s. 90J(3)]	8	Australian Customs Service, Australian Federal Police, State Police (Qld, SA)
Disclosure under a law of the Commonwealth [s. 90J(5)]	31,233	Australian Crime Commission, Australian Customs Service, Australian Taxation Office, Centrelink, Child Support Agency, Department of Immigration and Citizenship, Department of Veterans' Affairs, Medicare Australia, Insolvency & Trustees Services Aust.
Disclosures under certain laws establishing commissions [s. 90J(6)]	40	Crime Commission (NSW), Independent Commission against Corruption (NSW)

There were no disclosures made under sections 90J (7) (8) or (9).

TABLE 2. DISCLOSURE OF INFORMATION / DOCUMENTS (SECTION 90K 'AUTHORITY')

(Applies to information or documents not specially protected)

Authority for disclosure	Number of disclosures	Disclosures made to
Disclosure to authorised ASIO officer [s. 90K(4)]	266	Australian Security Intelligence Organisation
Disclosure for the enforcement of laws or protection of public revenue [s. 90K(5)]	7,628	Aust. Communications Authority; Aust. Competition & Consumer Commission; Aust. Government Solicitor; Aust. Quarantine Inspection Service; Aust. Securities & Investments Commission; Civil Aviation Authority; Consumer & Business Affairs (Vic); Corrections Victoria; Corruption & Crime Commission (WA); Crime & Misconduct Commission (Qld); Crown Solicitor's Office (SA); Dept of Agriculture, Fisheries & Forestry; Dept of Consumer & Employment Protection (WA); Dept of Employment & Workplace Relations; Dept of Environment & Heritage; Dept of Fair Trading (NSW); Dept of Fisheries (WA); Dept of Justice (Qld); Dept of Education, Training & Youth Affairs; Dept of Health & Aged Care; Dept of Primary Industries (Qld & Vic); Fisheries Compliance Unit (SA); Inspector General Division, NSW Fisheries (NSW); Office of Consumer & Business Affairs (SA); Office of Fair Trading (Qld); Office of Police Integrity (Vic); Office of State Revenue (NSW) & (Qld); Australian Federal Police; Police (Defence force including Military and RAAF, Naval Investigative Service); State Police (NSW) (NT) (Qld) (SA) (Tas) (Vic) (WA); Police Integrity Commission (NSW); Residential Tenancies Authority (Qld); Revenue SA (SA); RSPCA; Sheriff's Office (Vic); State Revenue Office (Vic); Transport Accident Commission (Vic); WorkCover Authority (Vic); WorkCover Corp (SA); WorkCover Queensland (Qld); WorkCover New South Wales (NSW).

There were no disclosures made under sections 90K (2) or (3).

Commonwealth agencies, unless otherwise indicated.

01. FIVE-YEAR STATISTICAL SUMMARY

	2002/03	2003/04	2004/05	2005/06	2006/07
CONSOLIDATED (1)					
Revenue ($m)	3,971.9	4,161.1	4,325.9	4,530.1	4,711.1
Expenditure ($m)	3,509.9	3,640.0	3,856.1	4,014.5	4,149.4
Profit from ordinary activities before income tax ($m)	462.0	521.1	469.8	515.6	561.7
Total assets ($m)	3,364.7	4,054.1	4,192.7	4,808.4	5,490.0
Return on average operating assets (%)	17.7	20.2	17.9	18.7	19.6
Cost of community service obligations ($m)	90.5	79.1	81.0	87.8	97.3
Total taxes and government charges	484.7	526.2	527.4	474.8	474.9
Ordinary and special dividends ($m) (2)	304.3	220.9	286.2	267.3	296.9
CORPORATION					
Total mail articles handled (m)	5,261.7	5,307.5	5,363.1	5,418.1	5,515.8
On-time letter delivery performance (%)	96.5	95.5	94.9	95.6	96.3
Full-time employees	26,394	26,019	25,851	25,387	25,026
Labour productivity improvement (%)	3.8	3.4	2.6	3.7	3.2
Number of corporate outlets	872	862	863	857	846
Number of licensed post offices (3)	2,981	2,982	2,979	2,975	2,969
Number of postpoints	790	755	740	679	614
Number of delivery points	9,443,227	9,681,976	9,868,275	10,048,811	10,266,637

(1) Financial information for 2005 to 2007 is presented under Australian Equivalents to International Financial Reporting Standards (A-IFRS). Financial information for 2003 and 2004 is presented under accounting standards applicable to these periods.

(2) The 2006 and 2007 dividends were determined under A-IFRS. Earlier dividends were based on accounting standards applicable at the time.

(3) Includes 16 franchises.

02. BASIC POSTAGE RATE* (BPR) AND THE CONSUMER PRICE INDEX (CPI)

		Year on year			
As at 30 June	BPR (cents)	CPI all groups	Change in BPR (%)	Change in CPI (%)	Change in real postage (%)
2002	45	137.6	0	2.8	-2.8
2003	50	141.3	11.1	2.7	8.2
2004	50	144.8	0	2.5	-2.5
2005	50	148.4	0	2.5	-2.5
2006	50	154.3	0	4.0	-3.8
2007	**50**	**157.5**	**0**	**2.1**	**-2.0**

* *Postage rates applicable to standard letters carried within Australia by ordinary post.*

03. AUSTRALIA POST OUTLETS AT 30 JUNE 2007

	NSW / ACT	Qld	SA / NT	Vic / Tas	WA	Australia 2007	Australia 2006
Corporate offices							
▪ at 1 July 2006	283	174	80	231	89	857	863
Changes during 2006/07							
▪ Opened	0	0	0	0	2	2	3
▪ Changed from LPO	0	0	0	0	0	0	0
▪ Changed to LPO	4	0	3	3	1	11	4
▪ Closed	0	1	0	1	0	2	5
Total at 30 June 2007	**279**	**173**	**77**	**227**	**90**	**846**	**857**
Licensed post offices / franchises							
▪ at 1 July 2006	914	463	320	980	298	2,975	2,979
Changes during 2006/07							
▪ Opened	0	0	0	0	0	0	0
▪ Changed from corporate office	4	0	3	3	1	11	4
▪ Changed from community postal agency	0	0	0	4	0	4	0
▪ Changed to corporate office	0	0	0	0	0	0	0
▪ Changed to community postal agency	2	0	1	6	0	9	5
▪ Closed	3	0	2	6	1	12	7
Total at 30 June 2007	**913**	**463**	**320**	**975**	**298**	**2,969**	**2,975**
Grand total at 30 June 2007	**1,192**	**636**	**397**	**1,202**	**388**	**3,815**	**3,832**
Community postal agencies at 30 June 2007	**100**	**185**	**184**	**74**	**91**	**634**	**630**
Total outlets at 30 June 2007	**1,292**	**821**	**581**	**1,276**	**479**	**4,449**	**4,462**

04. AUSTRALIA POST OUTLETS BY STATE[3] AND GEOGRAPHIC[1] CLASSIFICATION

Outlet type	Geographic[1] classification	NSW	ACT	Qld	SA	NT	Vic	Tas	WA	Other territories	Australia
Corporate offices	Metro	191	17	100	46	4	145	11	64	0	578
	Rural	71	0	62	23	0	53	17	16	0	242
	Remote	1	0	10	1	3	1	0	10	0	26
		263	**17**	**172**	**70**	**7**	**199**	**28**	**90**	**0**	**846**
Licensed post offices & franchised PostShops [2]	Metro	417	37	169	128	5	377	27	123	0	1,283
	Rural	417	1	202	144	3	431	112	94	0	1,404
	Remote	46	0	92	27	13	17	5	79	3	282
		880	**38**	**463**	**299**	**21**	**825**	**144**	**296**	**3**	**2,969**
Community postal agents	Metro	10	0	4	8	1	3	6	3	0	35
	Rural	83	0	103	100	5	37	19	40	0	387
	Remote	8	0	78	25	41	2	2	52	4	212
		101	**0**	**185**	**133**	**47**	**42**	**27**	**95**	**4**	**634**
Totals	Metro	618	54	273	182	10	525	44	190	0	1,896
	Rural	571	1	367	267	8	521	148	150	0	2,033
	Remote	55	0	180	53	57	20	7	141	7	520
		1,244	**55**	**820**	**502**	**75**	**1,066**	**199**	**481**	**7**	**4,449**

(1) Geographic classifications use DPIE / HSH November 1994 metropolitan, rural remote areas classifications by 1991 Census SLA.
(2) This includes all licensed post offices, franchised PostShops and one post office agency.
(3) This table uses geographic states, not Australia Post administrative states.

05. MAIL DELIVERY NETWORK AT 30 JUNE 2007

	NSW / ACT	Vic / Tas	Qld	WA	SA / NT	Australia 2007	Australia 2006
PRIVATE HOUSEHOLDS							
receiving mail via:							
Street delivery	2,653,158	2,061,744	1,429,868	794,421	635,807	7,574,998	7,403,403
Post office boxes / locked bags	256,952	204,793	213,067	105,517	129,368	909,697	878,150
Private and community bags	5,346	1,278	2,981	3,869	10,605	24,079	24,187
Roadside delivery	170,364	143,797	139,849	14,649	10,994	479,653	476,500
Counter delivery	39,621	52,972	39,365	24,818	43,184	199,960	196,432
Total	**3,125,441**	**2,464,584**	**1,825,130**	**943,274**	**829,958**	**9,188,387**	**8,978,672**
BUSINESSES							
receiving mail via:							
Street delivery	205,850	159,948	107,030	51,096	42,168	566,092	559,991
Post office boxes / locked bags	169,297	109,022	109,531	49,489	38,469	475,808	474,326
Private and community bags	341	457	703	425	1,000	2,926	2,847
Roadside delivery	5,305	5,173	4,589	135	617	15,819	15,714
Counter delivery	3,267	6,641	2,707	2,293	2,697	17,605	17,261
Total	**384,060**	**281,241**	**224,560**	**103,438**	**84,951**	**1,078,250**	**1,070,139**
Total delivery points	**3,509,501**	**2,745,825**	**2,049,690**	**1,046,712**	**914,909**	**10,266,637**	**10,048,811**

06. LETTER SENDERS' ACCESS TO POSTAL NETWORK

	Metro areas	Rural areas	Remote areas	Total
Access to stamps and postage assessment				
(Number of facilities)				
Total retail outlets	1,896	2,033	520	4,449
Other outlets [(1)]	1,802	2,477	310	4,589
Total outlets [(2)]	**3,698**	**4,510**	**830**	**9,038**
Access to posting facilities				
(Number of facilities)				
Total retail outlets	1,896	2,033	520	4,449
Community mail agents	7	36	81	124
Street posting boxes	11,185	3,939	482	15,606
Roadmail contractors [(3)]	723	2,332	469	3,524
Posting facilities [(4)]	**13,811**	**8,340**	**1,552**	**23,703**
Distance from postal outlets				
Average household distance from outlets (km)	1.1	3.2	13.4	2.0
Dispersion				
Percentage of households within 2.5 km of a retail outlet	94.2	69.2	57.3	86.6
Percentage of households within 7.5 km of a retail outlet	99.7	88.3	72.3	95.9

(1) Includes postpoints, licensed stamp vendors, off-site vending machines, and so on (self assessment only).
(2) Does not include roadmail contractors, all of whom, on request, would arrange supply of stamps.
(3) Roadmail contractors, on request, accept letters for posting.
(4) In addition, postal delivery officers, on request, accept letters for posting.

07. LETTER RECIPIENTS' ACCESS TO POSTAL NETWORK (000 DELIVERY POINTS)

	Metro areas	Rural areas	Remote areas	Total
HOUSEHOLDS				
Delivery to residence via:				
Street delivery	5,912.0	1,571.8	91.2	7,575.0
Roadside delivery	125.7	338.8	15.2	479.7
Total to residence	**6,037.7**	**1,910.6**	**106.4**	**8,054.7**
Delivery to postal premises via:				
Post office boxes and bags	430.0	398.2	84.5	912.7
Counter delivery	29.8	119.0	51.2	200.0
Total at postal premises	**459.8**	**517.2**	**135.7**	**1112.7**
Delivery to intermediate point via:				
Community bags	1.2	11.0	8.8	21.0
Total households	**6,498.7**	**2,438.8**	**250.9**	**9,188.4**
BUSINESS				
Delivery via:				
Street delivery	444.8	116.4	4.9	566.1
Roadside delivery	6.8	8.6	0.4	15.8
Post office boxes and bags	326.0	129.1	22.7	477.8
Counter delivery	3.9	11.6	2.1	17.6
Delivery to intermediate point via:				
Community bags	0.2	0.5	0.2	0.9
Total business	**781.7**	**266.2**	**30.3**	**1,078.2**
Total delivery points served	**7,280.4**	**2,705.0**	**281.2**	**10,266.6**

08. FREQUENCY OF SERVICE TO DELIVERY POINTS (% OF TOTAL DELIVERY POINTS AS AT 30 JUNE 2007)

Frequency per week	Metro areas	Rural areas	Remote areas	Total
One per week	0	0	0.4	0
Two to four	0.1	4.0	5.3	1.3
Five or more	99.9	96.0	94.3	98.7
Total	**100.0**	**100.0**	**100.0**	**100.0**

09. OVERALL LETTER SERVICE PERFORMANCE IN 2006/07

	Qtr ended 30/9/06	Qtr ended 31/12/06	Qtr ended 31/3/07	Qtr ended 30/6/07	Full year 2006/2007
Based on letters delivered in the following					
PER CENT ON TIME					
NSW	96.6	96.1	96.2	96.5	96.4
ACT	98.5	97.6	96.9	97.2	97.7
Qld	97.2	96.4	96.0	97.0	96.7
SA	97.0	96.3	96.9	96.9	96.8
NT	95.9	95.6	94.7	95.2	95.4
Vic	97.4	95.6	95.2	96.3	96.0
Tas	97.7	97.4	97.0	98.0	97.6
WA	96.3	94.7	94.4	95.5	95.3
National averages	**97.0**	**95.9**	**95.8**	**96.5**	**96.3**
PER CENT + ONE DAY					
NSW	98.9	98.7	98.8	99.0	98.9
ACT	99.9	99.6	99.2	98.9	99.4
Qld	99.3	99.3	98.7	99.1	99.1
SA	99.2	99.0	98.9	99.1	99.0
NT	99.3	99.4	98.6	98.5	99.0
Vic	99.3	98.9	99.0	98.8	99.0
Tas	99.2	99.0	98.5	99.3	99.0
WA	99.2	99.0	98.9	98.9	99.0
National averages	**99.1**	**98.9**	**98.8**	**99.0**	**99.0**

10. SUMMARY OF AUSTRALIA POST PROPERTY PORTFOLIO AS AT 30 JUNE 2007

	NSW/ACT	Qld	SA/NT	Vic/Tas	WA	Total
PROPERTY TYPE – OWNED						
Commercial	2	1	0	1	0	4
GPO	1	1	0	1	1	4
Industrial	48	43	16	57	21	185
Residential	1	6	0	0	3	10
Retail	125	41	36	87	27	316
	177	**92**	**52**	**146**	**52**	**519**
PROPERTY TYPE – LEASED						
Commercial	8	2	1	8	3	22
GPO	1	0	1	0	0	3
Industrial	89	28	9	66	11	203
Residential	0	0	1	1	9	11
Retail	150	125	39	149	59	521
	248	**155**	**51**	**224**	**82**	**760**
PROPERTY TYPE – TOTAL						
Commercial	10	3	1	9	3	26
GPO	2	1	1	2	1	7
Industrial	137	71	25	123	32	388
Residential	1	6	1	1	12	21
Retail	275	166	75	235	86	837
	425	**247**	**103**	**370**	**134**	**1,279**

(1) Commercial includes national headquarters and state office / regional office administration.
(2) GPOs are those general post offices located in central business districts.
(3) Melbourne GPO no longer has an Australia Post presence – reclassified as retail use.
(4) Industrial includes mail centres, parcel and transport centres, warehousing, vacant land and some stand-alone or co-located business centres.
(5) Retail includes retail PostShops and traditional post offices.

11. TOTAL ARTICLES THROUGH AUSTRALIA POST'S NETWORK (MILLIONS)[1]

	2002/03	2003/04 [2]	2004/05	2005/06	2006/07
Posted in Australia for delivery in Australia	4,950.4	5,016.1	5,102.1	5,125.7	5,224.1
Posted in Australia for delivery overseas	164.8	169.1	141.8	151.3	141.6
Total posted	**5,115.2**	**5,185.2**	**5,243.9**	**5,277.0**	**5,365.7**
Posted overseas for delivery in Australia	146.5	122.3	119.2	141.1	150.1
Total articles through network	**5,261.7**	**5,307.5**	**5,363.1**	**5,418.1**	**5,515.8**

(1) Mail volume statistics exclude articles that do not generate revenue, eg official mail, redirected mail and international mail in transit (eg Singapore to New Zealand via Australia).

(2) A revision in the methodology was applied in 2003/04. This resulted in a reduction in mail from overseas.

12. PERSONS ENGAGED IN PROVIDING POSTAL SERVICES AT 30 JUNE 2007

	HQ	Mail & Networks Division							Commercial Division									
Australia Post employment	HQ	NSW / ACT	Vic / Tas	Qld	WA	SA / NT	Head office	TOTAL	NSW / ACT	Vic / Tas	Qld	WA	SA / NT	Head office	TOTAL	Other divisions	Total June 2007	Total June 2006
FULL TIME																		
Permanent	225	7,098	4,691	2,785	1,498	1,193	669	17,934	1,662	1,148	860	510	341	250	4,771	1,628	24,558	25,006
Fixed term	3	117	18	75	26	19	3	258	51	48	47	17	2	11	176	31	468	381
Total full time	**228**	**7,215**	**4,709**	**2,860**	**1,524**	**1,212**	**672**	**18,192**	**1,713**	**1,196**	**907**	**527**	**343**	**261**	**4,947**	**1,659**	**25,026**	**25,387**
PART TIME																		
Permanent	22	1,572	1,659	503	446	295	37	4,512	1,322	1,091	853	411	255	6	3,938	51	8,523	8,134
Fixed term	3	114	105	145	56	80	10	510	98	161	86	45	69	1	460	2	975	1,062
Total part time	**25**	**1,686**	**1,764**	**648**	**502**	**375**	**47**	**5,022**	**1,420**	**1,252**	**939**	**456**	**324**	**7**	**4,398**	**53**	**9,498**	**9,196**
OTHERS																		
Casuals	0	38	11	20	6	3	0	78	67	14	37	6	6	0	130	0	208	259
Agency [1]	11	74	75	15	103	99	5	371	42	93	19	32	9	2	197	165	744	771
LPOs [2]	0	0	0	0	0	0	0	0	914	975	464	298	320	0	2,971	0	2,971	2,975
Mail contracts [2]	0	1,446	1,435	1,584	471	359	0	5,295	0	0	0	0	0	0	0	0	5,295	5,385
Total others	**11**	**1,558**	**1,521**	**1,619**	**580**	**461**	**5**	**5,744**	**1,023**	**1,082**	**520**	**336**	**335**	**2**	**3,298**	**165**	**9,218**	**9,390**
TOTAL	**264**	**10,459**	**7,994**	**5,127**	**2,606**	**2,048**	**724**	**28,958**	**4,156**	**3,530**	**2,366**	**1,319**	**1,002**	**270**	**12,643**	**1,877**	**43,742**	**43,973**

(1) Persons working in award-level positions under contract arrangements with preferred employment providers.

(2) Denotes the number of LPOs / mail contracts and does not reflect the number of persons who may be involved in providing postal services.

GRAPHS, TABLES AND CHARTS
(not including Financial and Statutory Reports)

NOTES: Information that satisfies a statutory reporting requirement is indexed separately (see pp. 120–2). IFC = inside front cover, IBC = inside back cover

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Wellcom

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Cover photograph
Taken on 17 July 2007 at Wallace, Victoria. (Wallace is approximately 20 kilometres from Ballarat and 95 kilometres from Melbourne.)

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BIG THINGS — 5 JUNE 2007

DRIVING THROUGH THE YEARS — 15 AUGUST 2006

12TH FINA WORLD CHAMPIONSHIPS — 20 FEBRUARY 2007

LEGENDS OF AUSTRALIAN HORSERACING — 24 JANUARY 2007

NOSTALGIC TOURISM – 10 APRIL 2007

THREATENED WILDLIFE – 26 JUNE 2007

SIGNS OF THE ZODIAC – 3 APRIL 2007 (selected stamps)

YEAR OF THE SURF LIFESAVER – 6 MARCH 2007

CHRISTMAS
– 1 NOVEMBER 2006 (selected stamps)

CIRCUS: UNDER THE BIG TOP – 15 MAY 2007 (selected stamps)

50 YEARS ON: THE MELBOURNE OLYMPIC GAMES
– 1 NOVEMBER 2006 (selected stamps)

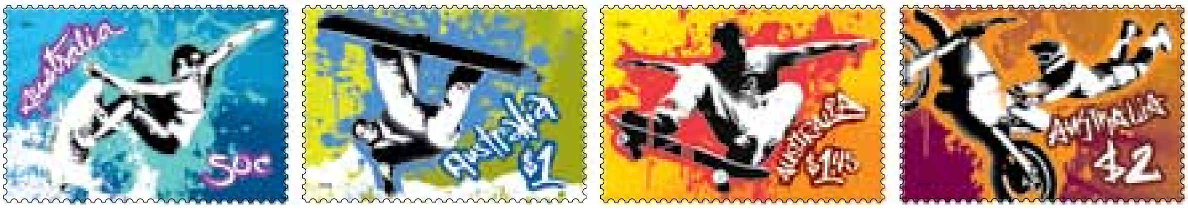
AUSTRALIAN WILDFLOWERS – 13 FEBRUARY 2007

50 YEARS OF TELEVISION – 24 OCTOBER 2006

AUSTRALIA WINS THE ASHES 2006–07
– 16 JANUARY 2007

DANGEROUS AUSTRALIANS – 3 OCTOBER 2006

EXTREME SPORTS – 18 JULY 2006




Alpurrurulam, Alstonville, Altona, Altona East, Altona Gate, Altona Meadows, Altona North, Alyangula, Amamoor, Amata, Amberley, Amby,
Appin, Appin Park, Applecross, Applecross North, Apsley, Aramac, Arana Hills, Ararat, Aratula, Archerfield, Ardath, Ardlethan, Ardmona,
Ashburton, Ashfield, Ashford, Ashgrove, Ashgrove West, Ashmont, Ashmore, Ashton, Ashwood, Aspendale, Aspley, Asquith,
Avoca, Avoca Beach, Avondale Heights, Axedale, Ayr, Ayton, Babakin, Babinda, Bacchus Marsh, Badgingarra, Badu Island, Bagdad,
Ballandean, Ballarat, Ballarat North, Ballarat West, Balldale, Ballidu, Ballina, Ballina East, Balmain, Balmoral, Balnarring, Balranald,
Bardwell Park, Bareena, Barellan, Bargara, Bargo, Barham, Barmah, Barmedman, Barmera, Barnawartha, Barooga, Barraba, Barrack Heights,
Baulkham Hills, Bauple, Bawley Point, Baxter, Bay Village, Bayles, Bayswater, Bayulu, Beachmere, Beachport, Beacon, Beaconsfield,
Beelbangera, Beenleigh, Beerburrum, Beerwah, Bega, Belair, Belconnen, Beldon, Belfield, Belgian Gardens, Belgrave, Bell, Bell Park, Bellambi,
Benalla West, Benambra, Benaraby, Benarkin, Bencubbin, Bendalong, Bendemeer, Bendigo, Bendigo North, Bendigo South, Bendoc, Benger,
Berriwillock, Berry, Berry Springs, Berwick, Beswick, Bethanga, Beulah, Beverford, Beveridge, Beverley, Beverly Hills, Bexhill, Bexley,
Binnaway, Binnu, Binya, Birallee Park, Birchip, Birdsville, Birdwood, Birkdale, Birregurra, Birrong, Bittern, Black Forest, Black Hill, Black River
Blackwood, Blairgowrie, Blakehurst, Blanchetown, Blaxcell, Blaxland, Blaxland East, Blayney, Bli Bli, Blighty, Blind Bight, Blinman,
Bombala, Bonalbo, Bonang, Bond University, Bondi, Bondi Beach, Bondi Junction, Bongaree, Bonnie Doon, Bonny Hills, Bonnyrigg,
Boronia Park, Bororen, Borroloola, Botany, Bothwell, Boulder, Boulia, Boundary Bend, Bourke, Bow Bridge, Bowen, Bowenfels, Bowenville,
Bramston Beach, Branditt, Brandon, Brandon Park, Branxholm, Branxholme, Branxton, Brassall, Braybrook, Braybrook North,
Brighton Le Sands, Brighton Nathan, Brighton North, Brim, Brimbank Central, Bringelly, Brinkworth, Brisbane, Brisbane Market,
Broken Hill West, Brompton, Bronte Park, Brooklyn, Brooklyn Park, Brookside, Brookstead, Brookton, Brookvale, Broome, Broomehill,
Brunswick West, Brushgrove, Bruthen, Bucasia, Buchan, Buckland, Buddina, Buderim, Budgewoi, Buffalo, Builyan, Bulahdelah, Bulimba,
Bundaberg South, Bundaberg West, Bundall, Bundanoon, Bundarra, Bundeena, Bundoora, Bungalow, Bungaree, Bungendore, Bungwahl,
Buronga, Burpengary, Burra, Burraga, Burren Junction, Burrill Lake, Burringbar, Burrum Heads, Burrumbuttock, Burswood, Burwood,
Cadell, Cadoux, Cairns, Calcium, Calen, California Gully, Calingiri, Callala Beach, Callington, Calliope, Calomba, Caloundra, Calwell,
Campbell, Campbell Town, Campbellfield, Campbells Creek, Campbelltown, Campbelltown North, Camperdown, Campsie, Canberra, Canberra
Cannonvale, Canowindra, Canteen Creek, Canterbury, Canungra, Capalaba, Cape Barren Island, Cape Burney, Cape Clear,
Carlingford, Carlingford North, Carlisle North, Carlisle South, Carlton, Carlton North, Carlton South, Carmila, Carnamah, Carnarvon,
Casterton, Castle Hill, Castlecrag, Castlemaine, Casuarina, Casula Mall, Cathcart, Caulfield Junction, Caulfield North, Caulfield South,
Cessnock West, Chadstone , Chapel North, Charles Darwin University, Charles Sturt University, Charleston, Charlestown, Charleville,
Cherbourg, Chermside South, Chermside West, Cherrybrook, Cherryville, Cheshunt, Chester Hill, Chevron Island, Chewton, Chidlow,
Chullora, Church Point, Churchill, Churchlands, City Beach, Civic Square, Clackline, Clairview, Clare, Claredale, Claremont,
Clifton Beach, Clifton Hill, Clonard, Cloncurry, Clontarf, Clontarf Beach, Clovelly West, Cloverdale, Cloverdale East, Clunes, Clyde, Coatesville,
Cocos (Keeling) Islands, Coen, Coffin Bay, Coffs Harbour, Cohuna, Colac, Colac West, Colbinabbin, Coldstream, Coleambally, Colebrook,
Colliver, Comboyne, Comet, Como, Como Beach, Conargo, Concord, Concord West, Condamine, Condell Park, Condingup, Condobolin,
Coolabah, Coolac, Cooladdi, Coolah, Coolalinga, Coolamon, Coolangatta, Coolbellup, Coolgardie, Coolum Beach, Coolup, Cooma,
Plains, Cooran, Cooranbong, Coorow, Cooroy, Coorparoo, Cootamundra, Cooyar, Copacabana, Copeton Dam, Copley, Copmanhurst,
Corop, Cororooke, Corowa, Corrigin, Corrimal, Corrimal East, Corroboree Park, Corryong, Cotham, Cottesloe, Cotton Tree, Coulta,
Craigieburn, Craigmore, Cranbourne, Cranbourne North, Cranbourne Park, Cranbrook, Cranebrook, Cremorne, Cremorne Junction, Crescent
Croydon, Croydon Hills, Croydon North, Croydon Park, Croydon South, Crystal Brook, Crystal Springs, Crystal Waters, Cuballing, Cudal,
Cunderdin, Cundletown, Cunnamulla, Curlewis, Curlwaa, Currabubula, Curramulka, Currarong, Currie, Currumbin, Curtin, Cygnet,
Dalveen, Dalwallinu, Daly River, Daly Waters, Dalyston, Dampier, Dandaragan, Dandenong, Dandenong East, Dandenong North,
Darlinghurst, Darlington, Darlington Point, Darnum, Darra, Dartmoor, Dartmouth, Darwin, Darwin River, Dauan Island, Davis, Davistown,
Deans Marsh, Deception Bay, Dee Why, Deepdene, Deepwater, Deer Park, Deer Park East, Deeragun, Deeral, Delamere, Delegate, Deloraine,
Derrinallum, Derwent Bridge, Devenish, Devonport, Devonport East, Devonport West, Diamond Creek, Dianella, Dickson
(Kaltukatjara), Dodges Ferry, Dog Swamp, Domain Road, Don, Donald, Doncaster, Doncaster East, Doncaster Heights
Douglas Daly Park, Douglas Park, Dover, Doveton, Dowerin, Drake, Drayton North, Drillham, Dromana, Drouin,
Dulwich Hill, Dumbalk, Dumbleyung, Dunalley, Duncraig, Duncraig East, Dundas, Dundee Beach,
Dysart, Eagle Farm, Eagle Heights, Eagleby, Eaglehawk, Eaglemont, Earlville, Earlwood,
Echuca South, Echunga, Eden, Eden Hill, Eden Valley, Edenhope, Edensor Park, Edge Hill, Edgecliff,
Elanora, Elanora Heights, Eldorado, Elizabeth, Elizabeth East, Elizabeth Park,
Elsternwick, Eltham, Elwick, Elwood, Emerald, Emerald Beach, Emerton, Emmaville,
Epsom, Erica, Erina, Erindale , Ermington, Ernabella, Eromanga, Erowal Bay,
Eumungerie, Eungai Creek, Eungai Rail, Euramo, Euroa, Eurong, Euston, Evandale
Farrell Flat, Farrer, Faulconbridge, Fawkner, Fawkner East, Fawkner North,
Fisher, Fitzroy, Fitzroy Crossing, Fitzroy North, Fitzroy South, Five Dock,
Forest Hill, Forest Lake, Forest Range, Forestville, Forrest, Forrestfield, Forsayth, Forster,
Frederickton, Freeling, Freemans Reach, Freemans Waterhole, Fregon, Fremantle,
(Lake Evella), Garah, Garbutt, Garbutt East, Garden City, Gardenvale, Garfield,
Gelorup, Gembrook, Genoa, George, George Town, Georges Hall, Georgetown, Geraldton,
Gladesville, Gladstone, Gladstone Park, Gladstone South, Glass House Mountains,
Glenhuntly, Glenmore Park, Glenmorgan, Glenorchy, Glenore Grove, Glenorie
Goodooga, Goodwood, Goolgowi, Goolmangar, Gooloogong, Goolwa, Goomalling
Island (Warruwi), Goulburn North, Gracemere, Gracetown, Graceville East,
Greenethorpe, Greenfield Park, Greenmount, Greenock, Greens Beach,
Grovedale, Grovedale East, Guilderton, Guildford, Guildford West,
Gymea, Gympie, Haasts Bluff (Ikuntji), Haberfield, Hackham, Haden,
Hampton North, Hampton Park, Hannaford, Hannans, Hanwood, Happy Valley, Harbord,
Hawker, Hawkesdale, Hawks Nest, Hawksburn, Hawthorn, Hawthorn North,
Helidon, Hemmant, Hendra, Henley Beach, Henley Beach South, Henty,
Highton South, Hill End, Hill Top, Hillarys, Hillston, Hilltown, Hillwood, Hilton,
Hopetoun, Hopetoun Gardens, Hoppers Crossing, Horn Island, Hornsby,
Huon, Huonville, Hurlstone Park, Hurstbridge, Hurstville, Hurstville South,
Injune, Inkerman, Inman Valley, Innaloo, Innaloo City, Innisfail, Innot Hot Springs,
Jamieson, Jandowae, Jannali, Japoonvale, Jarrahdale, Jeparit, Jericho, Jerilderie,
Junortoun, Jurien, Kadina, Kahibah, Kaimkillenbun, Kairi, Kalamunda, Kalangadoo,
Kaniva, Kanmantoo, Kapunda, Karabar, Karangi, Karara, Karawara, Kardinya, Karijini,
Kelmscott, Kelvin Grove, Kemps Creek, Kempsey, Kempton, Kendall, Kendenup, Kenilworth
Kew East, Kew North, Keyneton, Keysborough, Keysbrook, Khancoban, Ki Ki, Kiah, Kiama,
Kingscliff, Kingscote, Kingsdene, Kingsford, Kingsgrove, Kingsley, Kingsthorpe,
Knox City, Knoxfield, Kogan, Kogarah, Kogarah Bay, Kojonup, Kondinin,
Kubin (Moa Island), Kukerin, Kulgera, Kulin, Kulnura, Kumbia, Kundabung,
Lake Boga, Lake Bolac, Lake Cargelligo, Lake Cathie, Lake Charm, Lake Conjola,
Lane Cove, Lang Lang, Langford, Langhorne Creek, Langwarrin, Lansdowne,
Leederville, Leeman, Leeton, Legana, Legume, Leichhardt, Leigh Creek, Leightonfield, Leinster,
Linden Park, Lindenow, Lindenow South, Lindfield, Lindfield West, Lindisfarne, Linton, Linville,
Lockhart, Lockhart River, Lockington, Lockwood South, Lockyer, Logan City, Logan Village, Loganholme, Londonderry,
Loveday, Lowanna, Lower King, Lower Light, Lower Plenty, Lower Sandy Bay, Lowmead, Lowood, Loxton, Loxton North,
Mackay, Mackay Caneland, Mackay North, Mackay South, Mackay West, Macknade, Macksville, Maclagan,
Malabar, Malaga, Malanda, Maldon, Maleny, Mallacoota, Mallala, Mallanganee, Malmsbury, Malua Bay, Malvern,
Manly, Manly East, Mannahill, Mannering Park, Manning, Manning Point, Mannum, Manoora, Mansfield, Manuka,
Marleston, Marlo, Marmion, Marmor, Marngarr, Marnoo, Marong, Maroochydore, Maroubra, Maroubra South,
Mawson, Maydena, Mayfield, Maylands, McCrae, McKinlay, McKinnon, McLaren Flat, McLaren Vale, Meadow Heights